The China Weekly REVIEW

密勒氏評論報

A Weekly Newspaper Established in 1917

How the Japanese Army Plans to Eliminate Foreign Business

ARTICLES IN THIS ISSUE

"America Must Fight to Protect Her Every Interest!"
Japanese Army's Sinister Plan to Drive Foreign Interests Out of China
Japanese Army Calls Meeting of Lower Yangtsze Puppets
Recall of German Advisers Presents Problem
Japan Industrialists Alarmed as Export Trade Nears Collapse
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China's Financial Progress . . . . By Arthur N. Young
Sinkiang—A Stonewall to Japanese Influence . By C Y. W. Meng

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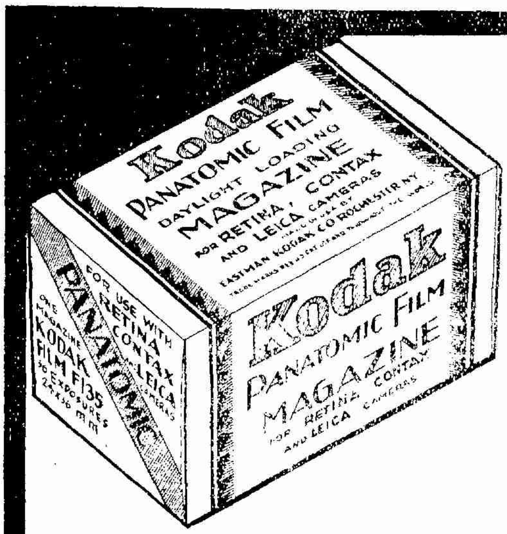
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"AMERICA MUST FIGHT TO PROTECT HER EVERY INTEREST!"

IT was unfortunate that the press associations did not cable a fuller account of the address of Julean Arnold, U. S. Commercial Attache in China, which he delivered at the Commonwealth Club in Washington last Friday. Mr. Arnold returned to the United States several weeks ago, wisely realizing that there was more important work for him in the United States than there was on this front at the present time.

After reference to China's desire to modernize, and his conviction that victory will come to China in her struggle against Japanese aggression, Mr. Arnold declared that the United States "must protect its every interest here and fight to maintain the policy of the Open Door of Equal Opportunity." "It will pay in the end," he declared.

Mr. Arnold's address was timely because the Japanese are now trying to put into effect the carefully prepared schemes for driving foreign interests out of China.

Elsewhere in this issue appears the second instalment of the article dealing with Japan's war on foreign business. In many respects the article published this week is more significant than that published last week. The evidence presented this week is conclusive: Tobacco, Oil, Cement, Wool, Coal, Textile Mills, Shipping, Mining—have all been checked off on the Japanese chart for control—first by the warlords of the Army and finally by the robber barons of the feudal families—Mitsui, Mitsubishi, Okura, Yasuda and Sumitomo.

The Japanese believe they can take over these industries, oust the Chinese and foreigners from participation in these major Chinese enterprises, and then convert them to their own purposes, which are: First, big profits through oppression and exploitation of Chinese coolie labor; Second, conversion of the enterprises as rapidly as possible into war-plants for use of the General Staff in its plans for further aggression.

There is only one way for the foreigner, particularly Americans, to fight the Japanese menace and that is, TELL THE PEOPLE AT HOME THE FACTS ABOUT THE SITUATION HERE! Tell them by radio, cable, letter and resolution what is going on and what we, on this fighting front, expect them to do.

There is no further point in keeping silent on the subject because the Japanese will play no favorites. The only businesses that will be able to function will be the few that control products or processes which the Japanese do not possess at the present time. But to use a commonplace statement, "it won't be long," before the Japanese find ways of producing the product or service and the favored few will then join the army of the dispossessed.

A few weeks ago a large number of Americans in Shanghai signed a petition addressed to President Franklin D. Roosevelt, urging him to prevent the Japanese from borrowing money in the United States for use in continuing military aggression and consolidating conquered territory. The petition was an excellent idea and probably had considerable effect in blocking possible loans to such organs of aggression as the South Manchuria Railway and its affiliates which are seeking to repeat south of the Great Wall, the crimes of aggression they prepetrated to the north of that historic barrier. But the petition would have had many times the effect had it been published ir the newspapers. Americans generally would have been interested in such an appeal from this front.

Public opinion in the United States is ripe for a strong declaration by American in China. American communities all over the country, cities of millions of people and hamlets of a few families are unitedly trying to help the unfortunate Chinese people who have been, through no faul of their own made victims of Japanese military brutality. Various test votes which have been made in the United States recently indicate overwhelming sympathy for China and while there is no apparent intention on the part of Americans to depart from their isolationist inclinations, this does not prevent them from taking steps which are of tremendous assistance to the Chinese in their time of need.

Recently it was estimated that Japanese military adventures in China had cost Americans,—individuals, companies and organizations—approximately U. S. $150,000,000 since the beginning of the war. British losses are supposed to be double the American figure. Altogether the Japanese have caused foreign losses exceeding U. S. $800,000,000, which figure is approximately one-fourth of the total foreign investment in China, estimated at U. S. $3,500,000,000. China's losses, of course, greatly exceed those of all foreign interests.

Ideal corrective of imperialist Japan would be international action to compel that warlord-robber baron-dominated country to pay for every dollar of loss suffered by Chinese and foreigners as a result of the activities of the Japanese Army. The United States compelled Japan to make quick and adequate payment for losses caused by the Panay bombing. Is there any reason why a loss suffered from the Panay outrage should have priority over a loss suffered by an American firm which had its factory burned or looted in Woosung, Yangtszepoo or Pootung?

We quqote the following paragraph from a report written by a recognized authority as to conditions which prevailed in China prior to the Japanese invasion:

> "Ten years ago the Chinese Nationalists established their capital at Nanking. With the fall soon after of the Peking republican regime, whose authority had long been mostly nominal, the National Government at Nanking became the recognized government of China. By 1937, through the efforts of that government, China had become substantially unified for the first time in many years. Under that government's guidance China was making rapid headway both in political organization and in the fields of economic and financial development. With a large territory, great natural resources a numerous population of demonstrated industry and ability, and a progressive government, China was in the way to become a prominent economic factor in the world. China also had the prospect within the not too distant future of taking rank as one of the world powers. The temper of the people and their history promised that China would be one of the liberal powers, influenced by western types."

As there is no disputing the accuracy of this statement of the situation of China, prior to the Japanese invasion, then why shouldn't Japan be compelled to rectify the wrong she has committed, the damage her armies have caused to the properties of other persons? Since the Japanese invasion is not "war" then it can be nothing more than piracy and banditry.

The world has long had a remedy for banditry and piracy: First, punishment; Second, restoration of stolen and damaged properties; Third, compulsion to abide by the law in future.

The American and British Governments, aside from superiority in armament which they possess, have another important club which they can wield to good advantage over the heads of the warlords and "robberbarons" who dominate Imperial Japan. Most of Japan's foreign commerce is with these two countries and its complete stoppage for six months would bring bankruptcy to practically all of Japan's war-inflated industries.

Japanese Army's Sinister Plan to Drive Foreign Interests Out of China

LAST week's Cabinet crisis in Japan, which gave the Army undisputed control over the Foreign Office, bore an ominous ring for foreign business interests in this country.

Although this fact is not yet generally known in China, the crisis was brought about by a bitter clash between Foreign Minister Hirota and the Army heads on the question of who was to govern the Japanese-occupied area in China.

For months, the Army, the press and Big Business have been demanding the establishment of an independent China Bureau to formulate and carry out Japanese economic, political and cultural policies in this country.

As such a bureau would have shorn the Foreign Office of one of the most important fields of its activity, Mr. Hirota resolutely opposed the Army-backed plan and advocated, instead, the creation of a Bureau within the Foreign Office to administer China policies.

Afraid of precipitous action by the Army, Hirota on May 9 made public a plan for the establishment of a China Bureau, to be controlled by the Foreign Minister. Had this plan been accepted, it would have made Hirota the most important official in the Government and would have given him power to reject or modify the Army's ambitious schemes and proposals.

In view of its heavy sacrifices in China,—this is according to a Japanese news report,—the Army was not prepared to relinquish control of the Chinese affairs to an upstart civilian, even thuogh the Army had put him in office originally. Pressure was, therefore, applied upon Premier Konoye to part company with Hirota and to place at the head of the Foreign Office an Army General.

With Hirota's departure from political stage, the Army is now completing plans for the establishment of an independent China Bureau, responsible to the Cabinet as a whole, but guided by the Army. Under the provisions of this plan, Tokyo newspapers revealed, China was to be removed entirely from the jurisdiction of the Foreign Office and was to be placed permanently in the Army's lap.

The policies formulated in Tokyo by Army experts in the China Bureau were to be carried out by the Army's Special Service Sections liberally sprinkled throughout the Japanese-controlled area in this country.

To a foreign trader or industrialist in China the meaning of this plan is clear. Both the Japanese and Chinese enterprises in this country are to be controlled by the Army, which will, in every possible manner, hinder and restrict legitimate operations of Occidental concerns.

Every effort, however, is being made by the Japanese authorities to lull the fears and suspicions of foreign interests in China. While in Tokyo, Tientsin and Shanghai, experts of the S.S.S. are drafting new plans for the exclusion of foreigners from the China market, Japanese diplomats continue to profess their high regard for the principles of the Open Door and Equal Opportunity.

In a particularly saccharinous statement made here early last month, a spokesman of the Japanese Embassy assured foreign correspondents that "the Japanese authorities will never give any unreasonable hindrance to the British or any other foreign interests."

Let's look at the facts. Let's examine every important foreign interest in China and see whether the Japanese have interfered with it or, to use the spokesman's words, have "helped their rehabilitation."

TOBACCO

For decades, the British-American Tobacco Company has been China's premier tobacco and cigarette-manufacturing concern. Competing against Chinese plants, with their incredibly low labor costs, the B.A.T. has been able to prosper because of its up-to-date machinery, advanced salesmanship and mass production methods.

However near the B.A.T. might have been to it, the firm had never enjoyed an absolute monopoly in the China market. It had many rivals, such for instance as the Nanyang Brothers Tobacco Company, which also cashed in on the steadily growing demand for cigarettes.

When the Japanese Kwantung Army occupied Manchuria and instituted various economic "reforms," its attention was immediately focussed on the prospering B.A.T. Pressure was applied upon the concern. There were threats, negotiations, the usual diplomatic aides memoire and representations. Finally, the firm prudently gave in. Japanese directors were added to the Board of the Manchukuo affiliate and the B.A.T. agreed to a division of the market with its less efficient Japanese rivals.

Experience in Manchuria has given the Army courage. What it hesitated to do in its first "independent Empire," the Army is now trying to do in North China, under the equally independent Provisional Government.

With the open backing of the military, two Japanese concerns in Manchuria on March 10 revealed their plans for launching a war on the B.A.T. in the enormously rich North China market.

Aided and protected by the Japanese authorities, the two firms have already decided on their spheres of influence and on the establishment of small subsidiary companies which will prepare the ground for the forthcoming trade war.

The powerful Toa Tobacco Company, subsidiary of the government Tobacco Bureau, reports widely published in Japan said, was given the rich eastern half of North China, with the villages and towns fringing the Tientsin-Pukow Railway. As the B.A.T. sales organization is especially active in this region, it is the Toa's guns that will thunder loudest in the battle of cigarettes.

The smaller Manchuria Tobacco Company was given the western half of Hopei, with the populated areas hugging the Peiping-Hankow Railway. No other Japanese company will be allowed by the Japanese authorities to enter the region. The two fortunate firms have concluded a gentlemen's agreement to stay away from each other's preserves.

The Toa interests have formed a subsidiary North China Toa Tobacco Company, whose capitalization will be raised to Y.10,000,000 as soon as the concern can find financiers willing to advance the required funds. The company will enlarge its factory in Chinwangtao to expand its production to 1,500,000,000 cigarettes annually.

Three huge new plants will be erected in Tientsin (capacity, 2,000,000,000 cigarettes annually), Tsingtao and Tsinan, "to aid in the competition with the British-American Tobacco Company",—to use the expression employed by a newspaper in Japan.

The factories in Tsinan and Tsingtao will purchase a part of their tobacco in Shantung,—China's leading tobacco producer. Permission to buy the next crop has been granted to the B.A.T. by the Japanese authorities, after the firm agreed to pay a portion of the required funds in foreign exchange and North-China "Reserve" notes. When the new Peking Government's desperate need of foreign exchange is alleviated, it would be the height of optimism to expect the BAT's buyers to triumph over the Army-backed Japanese concerns.

The Manchuria Tobacco Company is completing plans for the establishment of a Peking-chartered North China Tobacco Company, capitalized at Y. 1,000,000, of which a fourth will be paid up. The projected firm will buy a closed Chinese tobacco plant in Tientsin and build another factory in Peking, the two plants having an annual capacity of 3,000,000,000 cigarettes.

Since North China's annual consumption of cigarettes runs into the astronomical figure of 35,000,000,000, and the first-year combined output of the two new Japanese companies will not exceed 6,500,000,000, the B.A.T. will continue, for the time being, to supply most of North China's "smokes".

However,—the *Tokyo Yomiuri* points out,—"the two Japanese firms are determined to establish their influence firmly and outstrip the foreign concern in the long-run competition."

Here, in Shanghai, legitimate foreign cigarette manufacturers have also had an opportunity to enjoy the taste of Japanese methods in the form of an enormous quantity of cigarette paper smuggled into the port without payment of any taxes.

Manfuactured in Japan, brought here in Japanese bottoms, and landed on Japanese-occupied wharves, this paper has been flooding the market and threatening to cause a stagnation in the legitimate cigarette trade.

Japanese authorities, had they so desired, could have put an instant end to the smuggling of paper, since it had to be transported across the Garden Bridge, with its little army of belligerent sentries. A stop to the traffic of smuggled paper, however, would have been a blow to the Japanese paper-manufacturing industry.

The result was,—foreign cigarette manufacturers paid the Consolidated Tax of about $100 for a case of 50,000 cigarettes; the Japanese evaded the payment of the tax and sold their paper to little businesses making cigarettes in imitation of well-known foreign brands.

OIL

The Oriental Rhapsody in Oil is a similarly heart-rending melody, whose sounds have already crossed an ocean and a continent, to Washington, and have echoed back.

On April 18, official sources in Tientsin announced that "Chinese, Japanese and Manchukuo interests" had decided to inaugurate a new petroleum company in North China "in line with Japanese national policy."

Negotiations on the matter were said to be in progress in Tokyo between the Japanese companies concerned and the Ministry of Commerce and Industry. The objects of the projected firm were described as "unification of the fuel administration in North China" and "ultimate monopolization of the oil imports and sales in North China."

The new concern was to be capitalized at Y.20,000,000, subscribed jointly by the Japanese Federation of Petroleum Companies, the Manchuria Petroleum Company and the Korean Petroleum Company. One would look in vain for "Chinese and Manchukuo" interests in this list.

"Although designed as a purely private enterprise", the semi-official announcement said, "the new firm would base its administration on the Japanese fuel policy." The policy, it must be noted, is guided from the Navy Office in Tokyo.

The Company's president was to be a retired Japanese lieutenant-general or a vice-admiral and its head office, reasonably enough, was to have its seat in the Capital of Japan.

As a consolation to the three major foreign oil companies,—the Texas, Standard Oil and Shell interests,—who would have to supply the petroleum which the Japanese intended to market, it was intimated that they were "likely" to be invited to participate. All friction with foreign interests was to be carefully avoided!

The projected concern, however, intended in an "excuse-me-please" manner to take away from the foreign companies their carefully built-up distributing machinery and to buy and expand a refining plant in Manchuria.

To the three foreign companies, the Texaco Company, the Standard-Vacuum Oil Company and the Asiatic Petroleum Company, the announcement gave a severe jolt.All three firms have been severely buffeted by the Japanese in the past three or four years.

Japanese efforts to muzzle the three concerns in Manchuria in the manner in which they handled the B.A.T. resulted in an extremely bitter exchange of diplomatic unpleasantries between Tokyo, London and Washington, and in the eventual withdrawal of the firms from the newly fangled Empire.

In Japan, likewise, the Navy displayed little tenderness in forcing the foreign oil concerns to become what in effect were integral parts of the Japanese war machine. After a bitter battle, in which their governments played an active role, the foreign firms finally agreed to store in Japan the amount of oil thought necessary by the Nipponese Navy for a major war.

All three companies have built up extensive and efficient sales organizations throughout North China. Their agents kept the region's 100,000,000 people supplied with kerosene, which ordinarily provides light in 80 per cent of North China's households and for which the region is one of the world's three largest markets.

Although having practically no oil of their own to sell (except the expensive shale oil from Manchuria), the Japanese were not going to allow the foreign concerns to continue their business undisturbed. There were big profits in the sales of oil, and the Japanese intended to reap them.

With foreigners driven out of China's interior and with the Chinese living in daily fear of their lives, the Japanese have already taken over the foreign oil sales organizations in North China.

Arrangements are already being made for the establishment of a union of Japanese oil agents in the region, to divide the market and to eliminate with the helpful co-operation of the Japanese Army, all foreign and Chinese competition. Members of the union were expected to be the Idemitsu interests (agents for the Manchuria and Japan Petroleum Companies); the Taisin Company, selling oil for the Ogura Oil Company; the Korean, the Kokura and the Sayama Oil Companies and the inevitable Mitsubishi Petroleum Company.

Realizing what the Japanese now fondly call "the realities of the situation", the Standard-Vacuum Oil Company was reported early in April to be negotiating with the Mitsui Bussan Kaisha for the distribution of oil among Japanese buyers in Shantung.

To those, however, who place the emphasis on the words "Japanese buyers", the following questions may be put: If the Mitsui interests desire to take over the distribution of oil to Chinese buyers, would any lawfully appointed Chinese agent for the Socony products be in a position to object?

And again, assuming that the Mitsui interests ignored the call of profits which reward the sales of oil and kerosene, would any Chinese agent be in a position to transport oil into the interior on Army-controlled railways and would any agent have the audacity to display his shingle unless he had the protection and support of the Mitsui or Mitsubishi interests?

Managers of British and American oil concerns are probably among the world's most hard-boiled people. It would, therefore, be naive to think that they do not realize that the Japanese have their interests in China in a stranglehold.

This is why they had watched with such anxiety the negotiations in Tokyo on the allotment of quotas for the sale of oil and kerosene in North China. This was why they insisted on an iron-bound agreement, specifying in black-and-white their quotas. This, finally, was the reason why they applied pressure on Washington to take diplomatic action in Tokyo.

The Tokyo reaction was characteristic. A spokesman for the Foreign Office said the American memorandum was based on a misunderstanding and asserted that the projected Japanese concern in North China would only cater to the Japanese Fighting Services.

"I do not think," he added, "that the products of the new concern would find their way into the open market."

The explanation could not be taken seriously, and Japanese newspapers continued to report the progress of the Japanese war on foreign oil interests in North China.

Another blow, which has already forced a drastic contraction in the staffs of foreign oil companies in North China, was the unscrupulous use by the Japanese of the unbacked notes issued by the so-called Federal Reserve Bank of China in Peking.

WOOL

As soon as the Japanese Army marched into Inner-Mongolia and began to mould the region's economic policies, Japanese interests were given a monopoly on wool trading.

The procedure was extremely simple. Only the Japanese were allowed to travel in the interior, where starving nomads dispensed with their wool for "rock-bottom" prices. Immediately, a Mongol District Wool Traders' Guild, capitalized at Y.8,000,000, was established and given a monopoly on the purchase of wool.

Participants in the new organ were the Mitsui and Mitsubishi interests, the enormous Kanegafuchi Cotton Spinning Company, the Kanematsu and Company, the Japan and the Mamo Woolen Textile Manufacturing companies, the Manchuria Livestock Company, and the Daimoo and Company.

The so-called Autonomous Government of Inner-Mongolia, established by agents of the Army's Special Service Section and protected by Japanese bayonets repaid the debt of gratitude by granting the guild a franchise for the exclusive purpchase of wool in Mongolia.

The Kanegafuchi Company has also received a special largesse from the Army in the form of a proposal to operate and manage the National Government's military clothing plants in North China, the Shansi Provincial Government's Taiyuan Woolen Textile Manufacturing mills and the Suiyuan Provincial Government's woolen textile plants.

The Kanegafuchi interests will further build a woolen textile manufacturing mill in Tientsin, a part of whose output will be devoted to blankets,—Army and otherwise.

Agents of the Wool Traders' Guild early in March had already purchased Y.4,000,000 of the Y.7,000,000 worth of wool offered for sale at Paotow, Mongolia's greatest wool distributing center. They also announced that they would acquire the entire output of wool for the year valued at Y.23,000,000.

Before the Japanese Army hammered its way into North China, a large number of British and American concerns did an active wool purchasing business. This has now been wiped out altogether, despite the foreign companies' appeals for justice to the "Independent" Peking Government.

A few of the companies, which once exported 20 per cent of North China's output of wool to the United States for the manufacture of rugs, have approached the Japanese with proposals to work in co-operation. The Japanese counter-proposals could not have been very generous and thus far there have been no reports of joint, foreign-Japanese enterprises.

The *Tokyo Nichi-Nichi*, on the other hand, reported that New York and London, once the world's largest markets for the North China wool, will this year have to get along without the Chinese product, although "the exportation of some of this year's clip to Great Britain and the United States is being considered by Japanese traders."

Wool, it should be noted, has long been the Japanese Army's dearest, but feeblest, child. Special efforts were made by the Kwantung Army to encourage sheep-raising in Manchuria, but without success. Inner-Mongolia, to an extent, forms an answer to the Army's prayers for cheap wool for uniforms and the Army is not likely to display any squeamishness in dealing with foreign dealers.

CEMENT

Cement has always been a Japanese *forte* in the Orient. Foreign interests, however, were free to import, produce or sell cement without fear of hindrance. This is so no longer.

All cement plants in the area occupied by Japanese troops have been "taken over temporarily" by the "robber barons" of Japan,—the Mitsui, Mitsubishi, and the rival House.

The Shanghai Cement Company, capitalized at $2,000,000 and producing 10,000 tons a month, has been transformed into a "joint" Sino-Japanese enterprise managed by the Onoda Company. The Mitsui Bussan Kaisha will market the product.

The China Cement Company in Lunghua, also capitalized at $2,000,000 and producing 10,000 tons monthly, will be controlled by the Iwaki Cement Company, with the Mitsubishi Shoji Kaisha handling the sales.

The Northwestern Cement Company in Taiyuan, producing 2,000 tons, monthly will be managed by the Asano Cement Company, many of whose fingers are in the Manchurian pie, on a commission basis. Japanese reports did not state what percentage would be paid to the ejected Chinese owners.

All these Chinese enterprises have been apportioned among the largest Japanese cement companies by the omnipotent Special Service Section, which virtually runs the area under military occupation. In this case, as in any other, it would have been naive to assume that the S.S.S. would allow any foreign concern to compete against Japanese companies it had installed in Chinese plants.

The proof in the case is the Anglo-Swedish (Swedish registry) Ching Hsin Cement Company in Tongshan, East Hopei, near Peiping. Capitalized at $14,000,000 and producing annually 360,000 tons, the plant was before the war China's biggest and probably most prosperous.

When the Japanese Army occupied Hopei, its attention was immediately drawn to this alien enterprise in a region which Japan had already counted for her own. Acting on behalf of the Mitsui and Mitsubishi interests,—each of them anxious to acquire this important business at a fraction of its cost,—the S.S.S. advised the British and Swedish owners to sell out. This demand met with a flat refusal.

What lies in store for the foreign concern is uncertain. But while the Japanese concerns resumed operations in plants taken away from the Chinese, the Ching Hsin Company still remains closed, and, according to the informed *Nikka-Kogyo*, (March 29), it "has no prospect of resuming operations in the near future, despite its immense productive capacity."

With the S.S.S. holding the Ching Hsin in a stranglehold, the Japanese companies have North China, with its annual demand of about 500,000 tons, all for themselves.

Eighty per cent of North China's present requirements are being supplied by the Onoda interests, which manage the Shanghai Cement Company. The Onoda cement comes to North China from the firm's huge plant in Dairen.

The Onoda Portland Cement Company, curiously, lies outside of the Japanese Cement Association and is at present lustily stepping, with the Army's blessings, upon the toes of the member-firms. In cases of such type, local experience indicates, preference shown by the S.S.S. to one company before others is explained less by spiritual affinity than by very material factors.

FLOUR

Flour has ben the only item of China's imports, which has caused disappointment to the Japanese "robber barons."

When Japanese advisers and "brain trusters" of the Japanese Garrison in Tientsin dictated to the new so-called Provisional Government a new tariff schedule, flour was put on the free list,—together with the majority of other Nippon-made products.

In doing so, the Japanese overlooked two important factors. The first of these was the fact that Australian and American flour could also enter through the Japanese-made breach in the tariff wall. The other was the effect of protracted Chinese resistance upon Japan's commercial structure.

When the Chinese refused to give up the struggle after the fall of Nanking, the Japanese Government immediately imposed drastic restrictions upon raw materials entering Japan,—special exception being made for the commodities required by the hungry mouths of the war industries.

Among the import items hit by the new draconic legislation was wheat. Japanese millers were allowed barely enough wheat to satisfy domestic consumption and to ship moderate amounts to North China.

The subsequent developments give one an interesting insight into the mind of the Japanese businessman of the post-Lukouchiao period. We shall let the Mitsui-controlled Chugai Shogyo tell the story (March 16):

"Fearing that Japan will lose her North China flour market in the face of large-scale dumping competition by Australian flour millers, Japanese mills have recently petitioned the Finance Ministry for permission to import foreign wheat.

"Aware of the threatening situation, the Ministry has granted permission for the importation of about 20,000 tons of foreign wheat monthly, on the basis of monthly exports of about 800,000 or 900,000 sacks of Japanese flour.

"It is, however, doubtful whether such a small amount of wheat will be enough flour to meet the North China situation, because the permission is only for one month's quantity."

Let's now turn to cold statistics to see to what extent defenceless Japanese millers are being threatened by avaricious foreigners. North China's normal consumption of flour is 1,500,000 bags a month. However, between September of last year and February of this year, the demand for flour fell to 1,000,000 bags. It was not until March and April that the consumption had risen to the normal figure.

According to the *Yomiuri*, a leading Japanese daily, exports of Nippon-made flour to North China totalled as follows: September, 1,005,000; bags; October, 1,066,000 bags; November, 1,402,000 bags; December, 1,592,000 bags. With the Tientsin and Peiping warehouses crammed with Japanese flour, North China's imports naturally fell off a little in the next two months,—662,000 bags in January and 800,000 bags in February.

In these six months, the imports of foreign flour totalled 860,000 bags, of which 740,000 came from Australia and the rest from the United States. Thus, foreign importers, once very active in the region, had brought to North China approximately a tenth of the Japanese amount.

Assertions that flour imported from the two countries presents a serious menace to the Japanese product becomes even more absurd, when it is realized that every Chinese flour mill in North and Central China has been taken over by the Japanese, through a "special arrangement" with the S.S.S.

The "robber barons" presented by the Army with the Chinese mills are the "Big Three" of the flour-making world,—the Nisshin Flour, the Nitto Flour, and the Nippon Flour (operating through its subsidiary, the Sanchi Flour). To these interests the Army presented mills once operated by the provincial governments in Shansi, Hopei, Suiyuan and others and "assisted in negotiations" leading to the "purchase" of other mills from their unhappy, dispossessed Chinese owners.

Mills already being operated by the three concerns produce 12,000 barrels of North China's total normal productive capacity of 23,000 barrels a day.

"Almost all influential flour mills are under Japanese management", the *Chugai Shogyo* admitted. "In reality, North China flour milling is thus under Japan's control".

Supplying 90 per cent of the imported flour and monopolizing North China's milling industry, the "Big Three" still clamored for Governmental and military assistance in their war on foreign importers, while their public relations counsels cheerfully detailed to the receptive Japanese press the tale of "unfair foreign competition."

The picture would be amusing were it not of an ominous import to foreign interests engaged in the flour trade,—such old established firms as the E. Gipperich and Company, the East Asiatic Trading Company and other prominent concerns in Tientsin.

And now let the Japanese papers have their turn again. First the *Yomiuri*: "Now Japanese flour military companies intend to monopolize the North China market. However, as flour is imported free, Australian flour is encroaching upon the field by dumping. It is becoming a great menace to Japanese flour interests."

And next the *Chugai*:— "As long as the free tariff system is held by the Peiping regime and the import license system is enforced on wheat by the Japanese Government, Japanese flour *cannot hope to dominate the North China market*, because of the intrusion of foreign flour.

"Supplying flour to North China is not the sole objective of Japanese millers. If possible, *they want to dominate the market*, but they now find this impossible under the prevailing circumstances, in which they must compete against strong rivals.

"As far as flour milling in North China is concerned, however, the Japanese are sure of success. Many flour mills there formerly run by provincial governments and occupied by Japanese troops have been entrusted to the 'Big Three' by the Army. In addition, Japanese millers have purchased Chinese mills for large-scale operations.

"Thus they count on the future monopolization of the North China market in competition with Australian, American and Shanghai flour".

The flour situation in North China, incidentally, vitally affects mills in Shanghai, which normally supply 1,000,000 bags of North China's monthly consumption of 1,500,000 bags. The rest ordinarily come from mills north of the Yangtsze.

The attitude assumed by the Japanese flour milling interests indicates that the Japanese will brook no foreign participation in the prosperous China trade, even if they themselves cannot supply the demands of the market. This, in effect, amounts to the elevation of the "dog in the manger" attitude to the level of a national policy.

COAL

The methods used by the S.S.S. to gain control of the Chinese coal mining industry and to intimidate foreign mining interests were little short of piratical.*

All the important coal and iron mines in North and Central China have been taken over by the S.S.S. as soon as Japanese troops had occupied them. Japan's great mining concerns were immediately asked to put the enterprises into operation, to meet the ever-growing demand of the munitions plants in Tokyo, Kobe and Nagoya.

The biggest iron mines in China,—those in Lungyen, in Chahar,—were placed under the management of the Army-favored Hochu Kungssu. This concern has also been entrusted with the management of the Chung Hsin coal mines in south Shantung, second in importance only to the Kailan mines. The mines were reported to have previously been managed by German engineers. These, of course, were no longer required.

Closer to Shanghai, iron mines in the vicinity of Wuhu have also been taken over by the Japanese Army. A special "joint" Sino-Japanese China Iron Mining Company was formed here in April to operate the rich mines. Although officials of the new Nanking administration were given berths on the Board of Directors, their role will apparently be confined to cloaking with legality the brazen confiscation of Chinese private property by the Japanese Army. The semi-official Japan Iron Manufacturing Company will reap the harvest.

Four other large coal mines in North China are now in Japanese hands. Their management is expected to be handed over to the Japan Coal Association and the Japan Iron Manufacturing Company.

It is, however, not the confiscation of these mines by the Japanese Army but the high-handed treatment accorded to the British-owned Kailan mines in East Hopei that is likely to arouse foreign anxiety and consternation.

The rich Kailan coal deposits, lying conveniently close to a trunk railway line, have long been viewed by the Japanese Army and industrialists in the manner of Aesop's fox watching unreachable grapes. Since 1934, when the Kwantung Army made its first important raid on North China, repeated attempts were made by the Japanese to acquire the mines. The British interests however, adamantly stuck to their valuable property.

Hostilities in Shanghai,—an important market for Kailan coal,—were the first blow to the K.M.A. The next blow was the blockade of the China coast and the suspension of industrial activities in China.

With the concern hit hard by these successive blows, the Japanese, if one is to believe Japanese press reports, again approached the firm with offers to sell out.

The offer, made by the Hochu Kungssu mentioned above, was complemented by the S.S.S. with a little game of its own. The Kailan miners suddenly went on strike, demanding better working conditions and higher wages.

It is possible that the workers did have just grievances. It is, however, utterly incredible that the Japanese Army would have allowed any labor strikes and the subsequent armed clashes between the workers and the Chinese police, unless it was interested in teaching the obstreperous Britons a good lesson.

Allegations were openly made in the press at the time that the strike was instigated and fanned to bright flames by special agents of the S.S.S. Understanding what the Japanese brilliantly describe as "the realities of the situation", the K.M.A. did the next best thing to the actual surrender of its property. It agreed to sell most of its coal to Japan at a moderate price and to allow the Japanese to market the product in Japan, Korea, and North China.

Major J. E. Nathan, Chief Executive of the K.M.A., went to Tokyo and signed an agreement for the sale of 1,700,000 tons of coal to Japanese concerns between April 1 last and March 31 next,—350,000 tons more than was supplied last year.

When, at one stage of the negotiations, Major Nathan proved to be too obdurate to the liking of the Japanese, there was a sudden flare-up of unrest at his mines.

The British official dashed back to North China, ascertained the real causes of the unrest and returned to Tokyo in a chastened mood. With the Kailan mines now catering almost exclusively to the needs of the Japanese industry, the Army quickly put an end to the labor agitation by ordering all workers to return to the mines on pain of heavy penalty for disobedience.

In issuing this peremptory ukase, the Army pointed out it could not tolerate labor unrest in the rear of the Japanese military lines. The most curious aspect of the decree was the fact that it was not issued at the outset

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***It is curious to note in this connection that the S.S.S. in Shanghai and the "independent" Nanking regime early last month unashamedly made the Hangchow Bay pirates their bosom friends and companions in the noble task of "stabilizing peace in East Asia".**

of the strike,—when the K.M.A. and the Japanese companies were still haggling over the price of coal.

Here again, the Japanese interests concerned were not prepared to allow the British company to continue its work without hindrance. While unable to dispossess the British shareholders of their property, the Japanese were in a position to prevent the K.M.A. from selling its coal. Major Nathan must have realized this danger fully.

Therefore, no objections were voiced by the K.M.A., when a group of Japanese firms decided to take over the sales of the Kailan coal in Japan, Manchuria and North China. Capitalized at Y.2,000,000, the new company,—the Kailan Coal Sales Company,—was to be controlled by the semi-official Japan Iron Manufacturing Company. The smaller shareholders were to include the Tokyo and Osaka Gas Companies, the Japan Steel Tube Company and the already existing British-controlled Kailan Coal Sales Company, which was selling the K.M.A. coal before the Japanese Army came to China on its "holy crusade."

The K.M.A. is, apparently, still allowed to sell its own coal in Central China, and to a lesser extent, in the north. Its mining operations are, however, already at the mercy of the Army's S.S.S. and there is little likelihood of its success in selling coal in Japanese-controlled area through channels other than the new Japanese sales concern.

TEXTILE MILLS

No phase of the Japanese economic policy in China has been more illustrative of the viciousness and utter dishonesty of the Japanese methods than the confiscation of Chinese and foreign textile mills in North and Central China.

Non-Japanese cotton mills in China have long been a serious block to the Japanese attempts to corner the vast China market. Therefore, the powerful Osaka cotton interests have employed every means at their command to harm their competitors.

As long ago as 1935, the entire Chinese cotton textile industry in North China was taken over by the Japanese as the result of Japanese military pressure combined with pro-Japanese legisation passed by Army-controlled regimes in Peiping.

When the war began, Japan turned her attention to the surviving Chinese and foreign textile mills in Central China. Under one pretext or another, Chinese mills have been bombed, occupied and looted by the Japanese Army, anxious to eliminate the rivals of the Nipponese textile interests. In retaliation, the Chinese blew up $200,000,000 worth of Japanese mills in Tsingtao.

As the scene of hostilities shifted away from Shanghai, the Army and the major Japanese cotton textile concerns embarked on a wholesale confiscation of non-Japanese plants in and near Shanghai.

The procedure, brazen to the point of obscenity, was always the same. The owners of the mills marked for confiscation received invitations from the S.S.S. or Japanese textile concerns to reorganize their companies into "joint' Sino-Japanese enterprises. The Chinese owners were to pay the entire cost of repairs to their damaged mills, while the Japanese were to manage the plants. The profits were to be divided equally between the "partners". The Japanese did not even attempt to disguise their Army-backed brigandage by offering to pay for their half of the interest in the Chinese mills.

When, as was to be expected, the Chinese owners declined to agree to this deal, the Japanese cotton mills, with the blessings of the S.S.S., simply moved into the plants and took over the valuable equipment and stocks of cotton.

It is difficult to find words harsh enough to describe the high-handedness of the methods pursued by the unholy alliance of the S.S.S. and the Japanese textile magnates. With the Chinese owners refusing to give away a half of their property, the Japanese proceeded to divide the Chinese mills among themselves.

In a document issued on April 10, the Japanese Mill Association in China informed its members and associates of the following "distribution" of Chinese mills:

Japanese mills	*Chinese mills*	*location*	*spindles*
Toyoda	Chun Tai Cotton Mill	Chapei	24,000
	Wei Tung Hop Kee Co.	Yangtszepoo	32,000
	Ka Foong Cotton Spin. Co.	Kating	12,000
Japan-China Tainan	Wing On, No. 1 mill	Yangtszepoo	48,615
	Heng Dah	Pootung	15,000
Shanghai Cotton Mfg.Co.	Sung Sing No. 6 mill	Yangtszepoo	73,000
Yu Fong	Wing On No. 2 mill	Woosung	50,000
	,, ,, No. 4 ,,	,,	72,000
Dong Shing	Dah Foong Ching Kee Co. (Also a Dyeing Factory, name not yet known)	Chapei	30,000
Dah Kong	Heng Fong Cotton Mfg. Co.	Yangtszepoo	54,544
Tokwa	Ting Hsing Cotton Mill	Chapei	32,000
Kun Dah	Sung Sing No. 7 mill	Yangtszepoo	59,848
Naigai Wata	Soo Lung Cotton Mill	Soochow	51,568
Yu Fong	Chen Tah Cotton Mill	Tsinan	
Kun Dah	Chen Tung Cotton Mill Tsingtao Hua Hsin Textile Co.	,,	
Toyoda	Jen Foong Cotton Spin. Co.	Tsinan	

From a foreign point of view, this division of spoils was made more sinister by the fact that more than one of the mills listed above are foreign-owned and registered.

On May 29, the *North-China Daily News* reported that the Sung Sing No. 7 mill, owned by the Hongkong & Shanghai Banking Corporation, has been cleared of its equipment by the Kung-Dah Cotton Mill, situated nearby on Yangtszepoo Road.

The property, the daily said, was removed in trucks guarded by Japanese soldiers. Curious S.M.P. officers were shown a pass issued by Major-Gen. Harada, chief of S.S.S. in Central China.

On May 6, the *N.C.D.N.* reported that British ownership posters on the gates of the Sung Sing mill had been removed. In their place, Japanese sign-boards announced that entry into the mill was strictly forbidden, except by permission of the Kung Dah Company or the S.S.S.

Japanese troops and horses had been quartered at the mill, with the resultant damage to valuable machinery. In addition, carelessness by soldiers had led to a number of fires, which also extracted their toll in damage.

The Heng Fong Cotton Mill,—which in the above list has been "presented" by the S.S.S. to the Dah Kong Company,—is also British property. Signs on the gates, however, today bar entry into the mill except by permission from the Japanese mill or the S.S.S.

When the owners,—the Industrial Development Company, Ltd.,—had recently applied for permission to send fitters to the plant to effect the necessary repairs, the S.S.S. refused to issue the required passes.

While the Ewo Cotton Mill on Yangtszepoo Road has not yet been taken over by the S.S.S., the latter has effectively blocked the resumption of normal operations by declining to give passes to the vast majority of the mill's 5,000 workers. Permission was also refused for the use of British-owned property nearby for mill-hands' dormitories.

It was in connection with these charges by the *N.C.D.N.* that a spokesman for the Japanese Embassy here in all seriousness assured foreign newspapermen that "the Japanese authorities will never give any unreasonable hindrance to the British or any other foreign interests."

The tragic aspect of the situation is that even if the foreign interests concerned succeed in saving their mills from Japanese hands and resume normal operations, they will have no market for their product.

The invisible wall erected around foreign enterprises by the S.S.S. is so high and solid that nothing can reach the consumer except through Japanese middlemen.

SHIPPING

One of the factors enabling the Japanese to exclude foreign goods from the interior is the closure of China's waterways to foreign shipping. Where once hundreds of foreign and Chinese vessels carried millions of tons of cargo to millions of consumers, today the Japanese flag reigns supreme.

The treaties providing for Open Door, Equal Opportunity and free navigation in Chinese waterways are openly nullified by the simple device of pretending to be eager to safeguard foreign shipping from danger. The emptiness of this argument is shown by the fact that Japanese merchantmen ply freely in waters under Japanese military control.

Read-Admiral Kiyoshi Noda, spokesman for the Navy in Tokyo, on May 26 told foreign newspapermen that passage from Shanghai to Nanking was "both dangerous and difficult" and that "time is inopportune for the opening of the Yangtsze to foreign shipping."

A channel opened by the Japanese naval authorities, he said, was both narrow and was being used by the Japanese for naval operations.

This statement was doubly significant because it indicated the alarm felt by Tokyo over persistent reports that the British Government was considering the advisability of sending British merchantmen up the Yangtsze, as far as Wuhu, under the protection of British gunboats.

That the question was receiving serious attention in London was indicated by the trip made on the Yangtsze by Vice-Admiral Sir Percy Noble, Commander-in-Chief of the China Station.

The key to the Japanese refusal to permit foreign merchantmen to ply in the inland waters undoubtedly lay not in Tokyo's eagerness to protect foreigners but in its hope to keep foreign traders from the interior as long as any excuse, however flimsy, exists for it.

The most effective means discovered by the Japanese for barring foreign ships from the inland waterways were passes,—which no one except a Japanese could procure. While hundreds of small Japanese vessels today carry Nippon-made goods up the Yangtsze, the Whangpoo and the Soochow Creek, no foreign company has been granted permission to ply these waterways.

This more or less harmless way of strangling foreign shipping has been supplemented by the Japanese with the less gentle method of boarding, detaining and even confiscating foreign ships.

Two ships of Greek and Portuguese nationalities still roll and rot on the Whangpoo, in plain sight of the Bund, months after they had been illegally seized by the Japanese. There have been scores of cases when foreign ships had been compelled to change their course or stop for deliberately offensive examination.

In the open port of Tsingtao, the Japanese had successfully barred foreign ships from landing their passengers or even sending officers ashore to communicate with their offices in the city. Foreign ships have also been compelled to submit their manifests to the Japanese naval authorities for examination and to observe a thousand-and-one harsh and unnecessary regulations.

Foreign merchantmen in Tsingtao were in April denied wharvage privileges freely accorded to their Japanese rivals. This obliged foreign ships to bear the expense of using lighters to carry their cargo from and to the shore.

The *China Press* on April 17 quoted the head of a foreign China coast steamship company as follows:

"There have been occasions when our officials have been refused permission to land in order to visit our Tsingtao offices, and no reason has been given for the refusal. The Japanese authorities well know that we have observed the rules of neutrality since the blockade was established, and we feel that the restrictions placed on our trade in Tsingtao is a deliberate slamming of what we have been assured would be preserved as an open door.

"Last week we were obliged to refuse permission to passengers to go ashore owing to restrictions placed on civilian movements. A woman passenger travelling through to Shanghai was unable to land to inspect property which she bought last spring and intended to occupy this summer. Other passengers have been prevented from landing to visit their shops and agencies.

"Either the Japanese authorities intend to use Tsingtao as a military base of operations, or the Japanese financial powers intend to close the port to foreign trade by a process of 'peaceful prevention' ".

No foreigner in China has probably yet forgotten the Tungwo affair,—the worst example of strong-arm methods employed by the Japanese Navy to cripple foreign shipping in China. Detained without valid reason, the ship was not released until the British naval command here ordered a gunboat to sail to the ship's rescue with its decks cleared for action. Before the deadline for the Tungwo's release had expired, the Japanese gave in.

But pehraps the greatest menace,—because of its permanence,—faced by foreign shipping in China is the proposed establishment of a so-called "national policy", i.e. official, Japanese company to control shipping services between Japan and China, coastal and inland routes, tug and lighter services in Shanghai and warehousing.

Expected to come into being in July, the new concern will be built around the Kiang-Che Steamship Company,—a subsidiary of the Japanese Nisshin Shipping Company. The Kiang-Che concern has 22 small steamers of its own and,—to quote a delightful phrase from a Japanese news item,—"140 ships consigned to it for operation by their Chinese owners." The method of consignment has been watched time and again by foreign onlooklers on the Bund.

When this company is organized, foreign interests will in vain expect to regain their lost business. Enjoying the backing of the Japanese Fighting Services, having insuperable advantages in the form of required passes and wharvage privileges, the new Japanese firm will have little difficulty in establishing a near-monopoly. And it would not be beneath the dignity of the S.S.S. to threaten dire fate to the Chinese users of foreign bottoms.

It is in the question of shipping that the British and the Japanese are bound to have their most serious clash,—unless, of course, they first come to an argeement on the entire range of their relations in China.

If foreign interests are to regain at least a fraction of their lost business, they must win the shipping battle. With armed escort or without, but foreign merchantmen must make their way everywhere their Japanese rivals ply. In doing so, they must be prepared for costly sacrifices and serious incidents, for the S.S.S. will employ every means at its command to keep China's waterways clear of foreign shipping.

The moment is admittedly the gravest in the history of foreign business in China. Resolute steps must be taken at once to protect what is left of foreign investments in this country and to ensure that the Open Door will not be slammed in the face of foreign investors, industrialists, shippers and traders.

One such step was suggested last week. The foreign Chambers of Commerce in China must immediately embark on an extensive publicity campaign, designed to acquaint the people, the business world and the Governments concerned of the true situation in this sountry.

But publicity alone is insufficient. No published word will sway the Japanese Fighting Services from their course. What is urgently needed is governmental action to protect foreign rights and interests here before their complete extinction.

Every time foreign Powers had shown a strong attitude,—France, in keeping armed Japanese soldiers from the Concession; the United States, in enforcing similar regulations in the American defense sector here; Britain, in the Tungwo affair,—Japan had always backed down. Japan's belligerence is a bluff which can be called by a concerted action on the part of two or three most interested Powers. The interests at stake justify such action.

Chinese Workers Organized by Japanese

Chinese workers of the Japanese cotton mills, located in the western part of Shanghai, have been organized by the Japanese authorities into reserve units, according to well-informed circles. It is reported that these workers, in addition to their work, are receiving military training under Japanese officers. That the Chinese workers are being organized militarily by the Japanese is because of the growing tense situation created by the Chinese guerillas in the suburbs of Shanghai.

JAPANESE ARMY CALLS MEETING OF LOWER YANGTSZE PUPPETS

IN the presence of a large gathering of Japanese military and naval officers, a conference of delegates of 45 so-called Peace Preservation Commissions from various parts of the Lower Yangtsze Area under Japanese occupation was held in Shanghai last weekend, according to the army spokesman. Liang Hung-chih, head of the Nanking regime and Maj.-Gen. K. Harada, Chief of Japanese Military Special Service Section, addressed the delegates, urging them to assist in bringing "lasting peace" to the Orient, based upon Sino-Japanese co-operation. He announced that the Japanese Army authorities had decided to create special service branches in Shanghai, Nanking, Hangchow, and Nantungchow. Pacification squads would be incorporated into these organs, he added. Represented at the gathering were the puppet Chinese organizations of Nanking, Hangchow, Soochow, Yangchow, Huchow, Wuhu, Wusih, Chuhsien, Chinkiang, Taiping, Kashing, Kiangyin, Changchow, Sunkiang, Nantungchow, Changshu, Tanyang, Kashan, Kating, Chenju, Kiangning, Fenhsien, Kuyung, Paoshan, Tsingpu. Taitsang, Quinsan, Kintan, West Shanghai and others.

The delegates discussed ways and means of rehabitalitating the Lower Yangtsze Valley, revival of sericulture and the mining industry and determination of the extent of damage done to the area. One of the main decisions was replacement of the Peace Preservation Commissions by *Hsien* administrations. Following the precedent established in Manchukuo and the East Hopei zone, each hsien (conntry) will have an adviser and a small contingent of Japanese soldiers or reservists.

The meeting remained in session for three days. According to the *Nippo* the delegates were given $700,000 for relief work by the army authorities.

Sun Fo Returning

Concluding his visit to Moscow, Sun Fo, President of National Legislative Yuan departed from the Soviet Capital on his return to China (May 29) travelling through Scandinavian Countries and France. Mr. Sun has visited Moscow twice, since his departure from China. It was obvious that Mr. Sun conferred with the Soviet authorities in regard to Soviet military assistance to China. It was significant that Marshal Bluecher, Commander-in-Chief of the Soviet Far East Army. was also in Moscow while Mr. Sun was there.

Wang Keh-ming Visits Terauchi

Wang Keh-ming, head of the Japanese sponsored Peiping regime, according to *Domei*, made a special trip to the Lunghai front where he congratulated Gen. Count H. Terauchi, Commander of Japanese Forces in North China, on the occupation of Hsuchow. Wang claimed that preparations for the merger of the "Reformed" (Peiping) and "Provisional" (Nanking) Governments has been completed and would follow restoration of traffic on the Tientsin-Pukow Railway.

Japanese military authorities at Hsuchow announced that a Peace Preservation Commission would shortly be organized under the jurisdiction of the Nanking "Reformed" Government. It was claimed that the Hsuchow area within a radius of 50 kilometers had been cleared of Chinese forces. Liu Kwei-tang, well known bandit leader, who helped the Japanese and was defeated on the Lingyi sector, was reparted to have been detained in Tsingtao by the Japanese military.

Hohan Kato, militant Japanese Buddhist monk, connected with Japanese army in China, has organized a Sino-Japanese Buddhist Association in Tsinan. Chu Tso-shan, puppet "Mayor" of Tsinan, was made President of the Association with Hohan Kato as Vice-President.

Tsao Kun Died A Patriot

Marshal Tsao Kun, former President of China, died (May 17). His last words were, "I die a happy man as our troops will continue to recover lost territories following the victory at Taierchwang." Shortly after Japanese occupation of Peiping last August, rumors were circulated that Gen. Tsao had consented to become head of a Japanese organized military regime in North China. But Marshal Tsao turned down the Japanese overtures.

New Puppet Regime for Chekiang

Another puppet regime sprang into existence last week, when one Wang Shuan-kai was appointed by the Nanking "Reformed" Government as Chairman of the Chekiang Provincial Government. Early last month, Chen Tseh-min was installed as Chairman of the Kiangsu Provincial "Government" with headquarters at Soochow.

Court to Maintain Status Quo?

The Nanking administration is continuing to try to obtain control of the First Special District Court at Shanghai. Lin Chi-hung, local Lawyer, who was recently appointed by Nanking as "Presldent" of the Court, called on N. Aall, Consul-General of Norway and Senior Consul last week and conferred on the matter. It was claimed that Aall did not receive Lin as representative of the "Reformed" Government. The result of the discussion was not reported in the local papers.

General Chiang Visits Lunghai Front

Aftera trip to the front to check up on the situation at Lanfang, on the Lunghai Railway, General Chiang Kai-shek returned to Hankow (May 27) from Chengchow, central Honan. It was reported that General and Madame Chiang Kai-shek may go to Kuling for the summer. It was also rumored that Dr. H. H. Kung, President of the Executive Yuan and Finance Minister, had already made preparations to establish temporary offices at Kuling. The offices of the Chinese Government were expected to remain open in Hankow during the summer.

Lieut.-Gen. Chiang Ching-kuo, eldest son of General Chiang Kai-shek, now Director of Peace Preservation Bureau of Kiangsi, has joined the Kuomintang, according to Hankow report. Lieut.-General Chiang received his military education in Soviet Russia and is said to advocate close Kuomintang-Communist co-operation.

Gen. Ma Pu-fang, Mohammedan Commander of the Chinghai (Kokonot) Calvalry division declared that the people of Chinghai would resist the Japanese invasion, if the Japanese should attempt to penetrate further into the Northwest.

Tu Yueh-sen, Wang Hsiao-lai and several other business leaders of Shanghai, who recently went to Hankow from Hongkong to confer with the authorities on relief work in the rear, are now planning to proceed to Szechuan to investigate industrial conditions.

Tai Chi-tao, Examination Yuan President, devout Buddhist follower, was scheduled to leave Chengtu for Hsikang June 1 to attend the funeral of the late Panchen Lama, Tibetan religious leader, as representative of the National Government, Gen. Liu Wen-hui, Border Defense Commissioner of Szechuan and Hsikang, would also shortly return to Hsikang.

World Student Delegates Welcomed

A mass meeting was held (May 26) at Hankow to welcome delegates from the World Students' Federation who recently arrived from Europe to express sympathy with China, More than 3,000 Chinese students were present at the meeting. Huang Chi-hsiang, representing General Chen Cheng, Directors of Political Affairs Department of Miniltary Affairs Commission, delivered a speech of welcome, and expressed the hope that the students of the civilized world, who are opposed to international aggression and brigandage, will unite and make concerted effort to uphold international justice and safeguard world peace. The World Students delegation is now visiting in Nanchang, Kiangsi capital. After threedays there, they will proceed to the Eastern war front and later visit Sian, Shensi capital.

The following appointments and transfers were announced by the National Government:

Gen. Wang Tsan-hsu, Acting Chairman of Szechuan, concurrently Director of Szechuan Peace Preservation Bureau;

Kan Chi-yung, Commissioner of Finance, Szechuan;

Ho Pei-heng, Commissioner of Reconstruction, Szechuan;

Chao Wen-fu, Commissioner of Finance, Ninghsia;

Chu Ying-kuang, noted philanthropist, Vice-Chairman of the War-Time Relief Commission;

Sung Yuan, Secretary, Ministry of Finance;

Wu Pei-chun, Director, Department of General Affairs, Ministry of Economics;

Chien Tien-hao, Director, Department of Agriculture and Forestry, same Ministry;

Li Ming-ho, Director, Department of Mining Affairs;

Wu Cheng-lo, Director, Department of Industry;

Shou Ching-wei, Director, Department of Commerce;

Cheng Chao-ching, Director, Department of Water Conservancy.

China's Financial Progress

BY ARTHUR N. YOUNG*

(This report, compiled with the aid of the Research Staff of the Foreign Policy Association, reviews the development of China's finances in the 10-vear period before the outbreak of the Sino-Japanese war.)

TEN years ago the Chinese Nationalists established their capital at Nanking. With the fall soon after of the Peking republican regime, whose authority had long been mostly nominal, the National Government at Nanking became the recognized government of China. By 1937, through the efforts of that government, China had become substantially unified for the first time in many years. Under that government's guidance China was making rapid headway both in political organization and in the fields of economic and financial development. With a large territory, great natural resources, a numerous population of demonstrated industry and ability, and a progressive government, China was in the way to become a prominent economic factor in the world. China also had the prospect within the not too distant future of taking rank as one of the world powers. The temper of the people and their history promised that China would be one of the liberal powers, influenced by western types.

Now that the Sino-Japanese hostilities have ushered in a new phase of China's history, it is opportune to review the development of China's finances in the last decade. Particularly in these times, finance and politics are intertwined. The ability of the National Government to find large fiscal resources from the increase of tax revenues and development of the market for internal loans has been a major factor making possible the progress that has taken place.

In 1926 a writer on China's finances[1] thus summed up the situation :

"One of the most apparent needs of China today is a real fiscal system, yet it will be difficult to establish such a system on a solid foundation until the currency of the country is reformed. At this point the student of Chinese finance begins to argue in a circle, for the currency cannot be reformed until a strong central government can be set up. . . . A real fiscal policy cannot be established until a government has the power to levy and collect taxes and bring the proceeds of such taxes into its central public treasury. . . . Such a government cannot be set up . . . without money. This money is not forthcoming from revenues, and the country's ability to float a loan, either at home or abroad, has almost disappeared, due to numerous defaults."

China, it was recognized, has the wealth and resources to support an adequate fiscal system, but effective methods of drawing on them had yet to be devised.

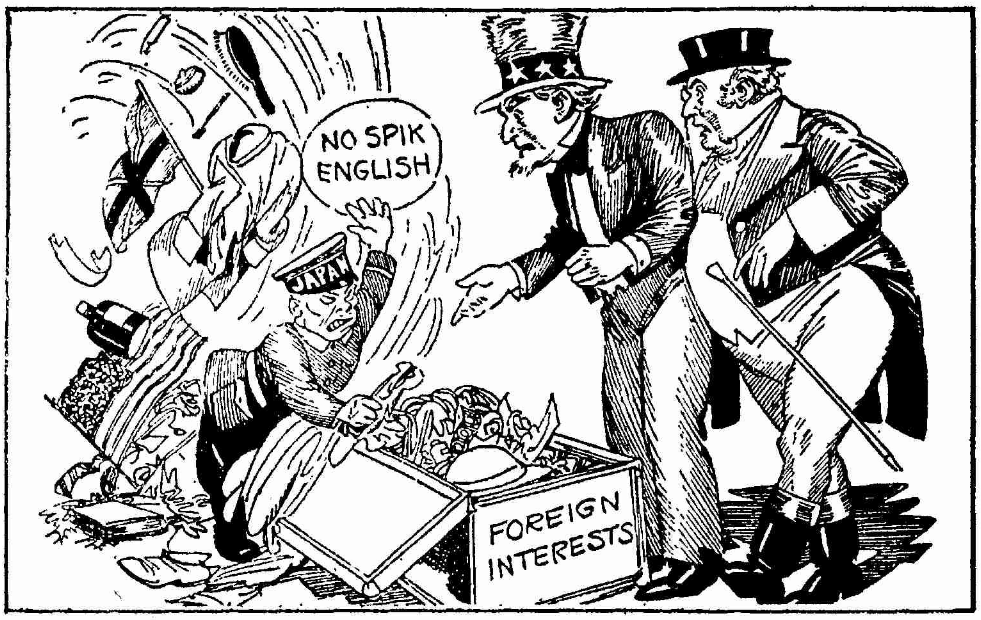
No Peking Leadership

Following the collapse in 1911 of the old Imperial regime, the development of a real central authority in China was prevented by lack of fiscal resources. The somewhat mediaeval revenues on which the Imperial Government had chiefly relied were at best insufficient to support a modern state. These revenues were collected under a decentralized system whereby the provincial authorities had practical autonomy in fiscal matters. Under these conditions it was only natural that the warlords who sprung up in the provinces should consume most of such revenues as existed. The inability of the successive Peking governments properly to finance the essential services of the state rendered such governments weak and ineffective. Their defaults on a large part of the foreign and domestic loans previously contracted ruined China's credit. Escape from this situation was more difficult because the Peking regimes developed no leadership capable of the really formidable task of organizing the country.

In these circumstances the vigorous Nationalist movement stemming from the idealism of Dr. Sun Yat-sen became China's best hope of progress. The fall of Peking to the Nationalist northern expedition in the summer of 1928 led to momentary nominal unification, but the foundation of real unity had yet to be laid. The years 1929 and 1930 saw severe civil wars in which the National Government vindicated its authority and extended its sway, but effective unification remained far from complete. Communist forces challenged the government's program of setting up a moderate regime, and long campaigns were required before they were defeated and driven to the distant northwest by 1935-1936. These operations not only required heavy expenditures but also interfered with normal economic activities and distracted attention from constructive efforts. Nevertheless the National Government steadily pursued its program of national development.

In this task political, military and financial measures went hand in hand. Fortunately for China, the struggle of the Nationalist group for ascendency brought to the fore the leadership that previously had been lacking. Outstanding have been Chiang Kai-shek in the political and military field, and T. V. Soong and H. H. Kung in the field of finance. Perhaps the most notable equalities they have brought to bear on the tremendous problems that have arisen during these eventful years have been courage and resourcefulness. There have been many dark days—when the national authority was challenged by warlords or regional leaders, seizing national revenues and overriding agencies of the Central Government; when, as in 1931, floods rendered homeless tens of millions throughout 40,000 square miles; and, above all, when external aggression backed by overwhelming force brought about the seizure and attempted the dominition of parts of China in which lived from one-fourth to one-fifth of its population. But through it all and in spite of setbacks and mistakes, the leaders have kept their will towards progress and realization of the aims to be achieved. China has shown a vitality and virility, grounded in its remarkable past, which give hope for a future in keeping with the past.

THE NEW CUSTOMS MAN IN CHINA



Detroit Evening News

Tax Reform

The first important step in establishment of an adequate fiscal system was the attainment of tariff autonomy. Under the old treaties China was limited to duty rates of 5 per cent *ad valorem*. The yield of such a limited tariff left practically nothing for the government after meeting debt service In the five years 1924-1928, foreign loan and indemnity service absorbed 78 per cent of the net customs revenue, and practically all the rest went to pay internal debts under arrangements made in 1921-1922[2] The Washington treaty signed February 6, 1922 provided for conditional increase of tariff rates to not over 10 per cent *ad valorem*; but application of even this limited measure of relief was delayed as a result of non-ratification of the treaty by France pending settlement of a controversy on another matter. Meanwhile, the Peking government languished without the contemplated additional revenue which was so much needed.

The Sino-American treaty of 1928 broke new ground by granting to China "complete national tariff autonomy," subject

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[1] —*F. E. Lee, Currency, Banking and Finance in China (Washington, Department of Commerce, 1926), p. 124.*

[2] *Cf. Wright and Cubbon, China's Customs Revenue since the Revolution of 1911 (Shanghai, Inspectorate General of Customs, 1935), pp. 441 and 416-25.*

to avoidance of any discriminatory treatment. This treaty was followed by other similar treaties, the Sino-Japanese treaty of 1930 completing the grant of tariff autonomy. A three-fold increase of custom revenue resulted from the ensuing upward revisions of rates. Although particular rates have at times been pushed to levels that led to evasion or reduced importation, the customs revenue has been both dependable and productive.

Salt Revenues

Next in importance to customs has been the revenue from salt which, though an old revenue, had been so administered that the Central Government got comparatively little from it. Twenty-five years ago the salt administration had been reorganized with the help of foreign personnel, in order to serve as security for the Reorganization Loan of 1913. For a time the new system succeeded in bringing into the coffers of the government the greater part of the revenue collected. But, with the disintegration of the Peking regime, there was no means to prevent provincial warlords from seizing these funds. Being derived from widely distributed sources throughout China, the salt revenue was vulnerable to such seizure. At the time of the triumph of the Nationalist movement in 1927-1928, so much of the salt revenue had been seized that even the relatively small amounts required for loan service were not forthcoming and the loans had gone into default.

On November 16, 1928 Finance Minister Soong made an announcement concerning the rehabilitation of the Chief Inspectorate of Salt Revenue, stating that the regulations governing the Inspectorate had been revised "in order to make it an effective part of the National Government under the exclusive control of the Ministry of Finance." A system for allocation to the various districts of quotas sufficient to cover loan service was instituted. The Ministry of Finance undertook full responsibility for loan service. This action gave rise to objection by the foreign governments concerned, and has been criticized by bondholders as a departure from the terms of the 1913 loan agreement. The action was supported, however, on the ground that the old procedure had so broken down that in the then existing internal situation it could not be restored; and that, granted the temper of the country at the time, a scheme such as that adopted was the only feasible solution of the problem. Further, it has been argued that the claim of the Reorganization Loan on the salt revenue, although continuing, is of only academic interest inasmuch as in pursuance of the loan gareement the loan service funds have been regularly provided out of customs revenue since about 1917.

In any event, the measures adopted have made possible the effective restoration of the salt administration throughout the country. In 1936 the total collected was more than double the maximum yearly amount collected under the former regime, although the latter included collections in Manchuria. These measures have made possible the rehabilitation of the loans paid from salt revenue, whose prices in the first half of 1937 were more than double those of ten years before.

Other Reforms

It was clear from the outset that a fundamental reform of the system of internal taxation was necessary. This involved the abolition of exactions which unduly hampered trade—notably *likin*, a tax on the movement of goods which was collected at numerous barriers throughout the country. But since the flow of public revenue could not be interrupted, new and improved forms of taxation needed to be devised. The government logically looked to taxes on commodities. One of the early steps was the conclusion of agreements between the Ministry of Finance and leading oil and tobacco companies under which they agreed to pay increased taxes to the National Government, and the latter undertook to reimburse them in case their products were subjected to additional taxation in the interior. The administration of the new taxes was entrusted to special organizations which are now consolidated into the Internal Revenue Administration. At present, nine commodities have been incorporated in the system of consolidated taxes: rolled tobacco, cotton yarn, flour, matches, cement, flue-cured leaf tobacco, beer, mineral products and alcohol.

Meanwhile great progress has been made in abolishing burdensome taxes. In spite of the urgent need for revenue, the government decreed the abolition of *likin* in January 1931. Progress toward its abolition has since occurred, although it still prevails in certain sections of the country. Native customs levies, comprising duties on junk-borne trade, were also abolished in 1931. as were coast trade duties and transit dues. Certain reductions and exemptions from export duty have also been introduced. Moreover, steps have been taken to abolish miscellaneous exorbitant taxes and levies imposed by provincial and local governments. These measures have been worked out at special conferences convened by the Minister of Finance, and by administrative action of the Ministry.

The persistence of regional ideas, deeply rooted in the former system of virtual fiscal autonomy of the provinces, has been a constant problem for the government, which has had to be alert to defend its prerogatives. Frequently the government has arranged subsidies in exchange for taking over revenues collected in a particular area, thus extending its control. The relative freedom of customs revenue from local interference has been a source of great strength to the Central Government. There have, however been several unfortunate instances of interference. Regional authorities seized the customs revenue at Tientsin in 1930 and at Canton in 1931, but neither of these interferences lasted long.

Much more serious has been the Japanese seizure of customs in Manchuria, revenue from which for the five years before 1932 averaged about 15 per cent of the total. Under the Japanese occupation, none of the collections since mid-1932 have been made available for service of China's obligations secured in part thereon. It is stated that a portion of these collections has been set aside for loan service; but the conditions of obtaining this contribution, if they had been accepted, would have amounted in effect to China's recognition of "Manchukuo." Similarly, the salt revenue was seized, not even loan quotas having been remitted. Serious loss of revenue, at one time about $2,000,000 Chinese currency weekly, also resulted from smuggling in North China. From about the beginning of 1935, when the Japanese authorities forced the disarmament and withdrawal of Chinese customs patrol vessels and refused to allow shore officers to carry arms, organized smuggling developed on a huge scale. A party engaged in smuggling was quoted in the press as offering to bring in anything desired, "except perhaps an elephant." Material loss of revenue continued, although somewhat checked by customs supervision of inland distribution of smuggled goods moving out of the area affected.

The increases of the chief sources of revenue are shown in Table 1. These gains have been achieved despite the seizure in Manchuria of about $60,000,000 in Chinese currency of customs and salt revenue (on the basis of 1931 collections), and Japanese-sponsored smuggling operations in 1935 and after.

TABLE I

(figures in millions of dollars. Chinese currency)

	*Customs**	*Salt*	*Consolidated taxes*	*Total*
1929	245	85	39	369
1930	292	130	40	462
1931	389	155	74	618
1932	312	145	83	540
1933	340	159	89	588
1934	335	176	113	624
1935	316	184	116	616
1936	325	205	136	666

*Including native customs and surtaxes.

Domestic Loan Policy

The needs of the new government were too urgent to be satisfied only by development of tax revenues, which is a matter of months or years. Funds were immediately needed to put down subversive movements, and to commence a program of internal reconstruction. Without these additional funds the government could not have subsisted. Although internal loans had been issued in China during previous decades, they had been only irregularly paid. The National Government, however, set out to develop a capital market based on the performance of its promises to pay. Increasing revenues provided substantial security. Shanghai was a rich and growing metropolis, in which were centered the country's financial resources. Modern Chinese banks were rapidly developing, and were glad to buy the bonds or to lend to the government against them as a profitable investment. A system of loan service committees was instituted, composed of representatives of the Ministry of Finance and of the bankers and the bondholders. Each month the government deposited with such committees sufficient sums to provide for loan service payments as they became due.

Through such procedure, the National Government raised substantial amounts beginning in 1927. The cost of these loans was high, but they provided resources which were indispensable to the government and which eventually were decisive in enabling it to overcome the forces of disunity. There were complaints from time to time that the government should not have contracted these internal loans at a time when many older external and internal obligations were in default. This contention cannot be sustained on practical grounds, at least in so far as the provision of funds that were necessary to enable the government firmly to establish itself is concerned. There would otherwise have been no agency capable of reorganizing the finances and resuming payments on the older obligations. It is a well-recognized principle that in certain circumstances a debtor in default may be entitled to new money required to place his house in order.

It was inevitable that the government, in its huge task or rehabilitation, should incur substantial deficits which had to be covered by borrowing. With revenue expanding, however, the deficits proved capable of management in one way or another without recourse to currency inflation. A major difficulty in financing was the fact that the banks and other buyers of internal bonds, seeing the uncertainty of both internal and external political and economic developments, insisted on relatively short-term obligations Hence the bonds, in order to be marketable, provided for repayment of principal at such a rapid rate as to make a heavy drain-revenues. For example the 19th year Treasury Bonds of $80,000,000, Chinese currency, issued as of August 1930, bore interest at 8 per cent per annum, principal repayment to be completed by May 31, 1935, in monthly instalments which after 18 months were at the rate of nearly $20,000,000, Chinese currency, annually. Since these loans were taken at a discount, the cost was high—frequently 12 to 14 per cent per annum.

The system of heavy amortization payments was especially vulnerable to adverse developments. The Japanese seizure of

Manchuria in the fall of 1931, besides impairing revenues, caused a severe shock to the domestic bond market. This situation was accentuated by the unrest in south China, the great flood of the summer of 1931, and the change of government in December 1931, followed by the Japanese invasion of the Shanghai area in January 1932. In these circumstances, it was necessary to effect a reorganization of the internal debt. In February 1932, as a result of discussion between the Ministry of Finance and representatives of the bondholders, it was arranged that the terms of most of the internal loans be lengthened and the interest rate reduced to a flat 6 per cent. As a result, internal loan charges were reduced by about $100,000,000, Chinese currency, yearly.

This measure, together with the most severe retrenchment on the part of the government, made possible the balancing of income and outgo during the calendar year 1932. The further Japanese encroachments in North China at about the beginning of 1933, however, entailed addition expenses for military campaigns. The cessation of this fighting toward the middle of 1933 did not leave the government at peace. There remained the problem of putting down the ill-starred Fukien revolt at the beginning of 1934; and, much more important, the campaigns to suppress the Communist forces which had over-run part of the province of Kiangsi and other areas. Emergency expenditures for this latter purpose continued to 1936.

Owing to these conditions, coupled with the economic depression which in China was most severe in 1934-3195, the burden of internal debt payments again became too heavy to be borne. Once more ths was caused by heavy near-term principal payments. A further reorganization of the internal loans was therefore effected in 1936, with savings of approximately $85,000,000 Chinese currency, yearly. This time occasion was taken to simplify the debt structure by converting over 30 separate internal obligations into a single 6 per cent consolidation loan of $1,460,000,000, Chinese currency, issued in five series, with repayment spread over about 25 years.

Budgetary Conditions

The following table summarizes revenues and expenditures :

TABLE II

(in millions of dollars, Chinese currency)

Year ending June 30	*Net, total payments (excluding each balances at end of year)*	*Net total revenue (excluding net proceeds from borrowing)*	*Deficit*
1931	774	557	217
1932	749	619	130
1933	699	613	86
1934	836	689	147
1935	941	745	196*
1936	1,025	800	225†
1937	991	866	125‡

*Including $73,500,000 representing capital items.

†Estimated.

‡Budget estimates.

These deficits, it is worthy of note, have been offset in large par by payments for debt retired.

The outlook at the middle of 1937 was in fact far more favorable than is indicated by the above figures. China enjoyed record crops in 1936 and generally good crops in 1937. The currency reform of November 1935 had been a success, and had led to a large measure of economic recovery; in turn, the economic improvement taking place throughout the world was reacting favorably on China. Customs revenue in the first half of 1937 was about 60 per cent greater than in the previous year.[3] Salt and other internal revenues were also increasing. The country was free from civil war, a condition which promised to continue. The possibility of external complications appeared to be decreasing. Solid progresss was being made in reconstruction, through rehabilitation of the railways, water conservancy, road building, development of airways, modernization of cities, and industrialization. Confidence was being strengthened by settlements of debts in arrears. New foreign credits were being arranged, which would both stimulate China's development and benefit industry in other countries. Measures were about to be placed in effect for reorganization of the Central Bank as a Reserve Bank, and the strengthening of the banking system was being planned. China's national debt was not large, being less than $10, Chinese currency (say U.S.$3.00), per capita. With reasonable control of public expenditures, the stabilization of the public finances was within reach.

Currency Reform

Although the reform of China's currency had been actively discussed since about 1900, it could still be authoritatively stated in 1929 that "China has unquestionably the worst currency to be found in any important country of the world."[4] At about the same time, another writer stated : "The currency in China is chaotic; it forms the most complicated mixture of heterogeneous mediums of exchange, from a weight to a coin, that has ever existed in any country."[5] The major problem of currency reform in China was two-fold : the establishment of a uniform and convenient medium of exchange, and the adoption of a monetary standard.

The spread of the use of the silver dollar and, in recent years, the growing use of bank-notes with the value expressed in terms of dollars were gradually introducing an element of uniformity. The Spanish dollar and, later and more important, the Mexican dollar had become popular in China during the last century. Although use of the different kinds and weight of *taels* (ounces) persisted the dollar medium gradually made headway as the chief standard for prices. By 1933 the government felt itself in a position to deal with this problem, and prescribed that the standard silver dollar should contain 26.6971 grams of silver 880 fine, and that the tael should be abolished. Thereafter, large numbers of standard dollars were coined and circulated. This was a notable step toward uniformity, establishing the dollar system throughout China excep for certain southren and western provinces.

It had long been recognized both by foreign monetary experts and by thoughtful financial leaders that China was in an anomalous position in basing its monetary system on silver, a standard different from that of practically all the rest of the world. Yet China's long adherence to the silver standard brought some advantages to the country. An essentially bullion standard, deriving form a metal of not too great value in relation to bulk, offered definite safeguards to the public in a period of disturbed internal conditions. In a country without a well-developed credit system, silver was a storehouse of value for savings. Moreover, the value of silver sometimes moved more with that of commodities in general than did gold. Thus in 1929-1932, the fall of silver prevented China from suffering depression along with the rest of the world, even though it led to some inflation.

But, on the whole, the old currency system put the country at a disadvantage. Instability of exchange hampered foreign trade, development of which was vital to China's progress. For some decades silver had been less stable in value than gold, although changes in the price level on the silver standard could hardly be shown to have been a more serious factor in China's economic life than have been corresponding changes in goldstandard countries. Yet most of the rest of the world had an interest in giving gold a proper status as the leading monetary metal, while no such widespread motive affected silver.

Although falling silver helped China to escape for a time the major evils of the recent depression, from the autumn of 1931 onward the successive British, Japanese, American and other devaluations led to an increase in the value of China's metallic currency relative to other currencies. As a result, deepening depression was felt in China, along with the well-recognized phenomena of deflation. The rise in the price of silver accentuated the deflation. With a free silver market in China, the value of silver there followed the world price, and a rising value of silver in China amounted to the same thing as a fall in the level of prices quoted in terms of silver. The index of wholesale prices at Shanghai, which had risen from around 100 in 1928 to 131 in the summer of 1931, fell to 91 in the summer of 1935. The drain of several hundred million Chinese silver dollars to foreign countries forced the contraction of credit in China, accompanied by the characteristic phenomena of unemployment, stagnation, banking difficulties and business failures.

On October 14, 1934 the Chinese government announced that exports of silver were restricted, and were allowable only on payment of duty and equalization charge represetning the difference between the value of silver abroad and its value in China as found by the Central Bank of China. This far-reaching action was necessary because the outward flow of essential monetary stocks could not otherwise be checked The measure was the first step toward abandonment of the old silver standards. It immediately halted exports of silver through legitimate channels, although smuggling of silver continued on an important scale—at one time the value of silver outside China exceeded its value within the country by as much as 65 per cent. The export restriction checked the rise in exchange and correspondingly checked deflation. The authorities, however, deemed it advisable to allow exchange to follow somewhat the fluctuations in the external value of silver, due largely to a desire to prevent the margin from becoming so large as unduly to stimulate smuggling of silver.

Reform Theories

The monetary regime under the export restrictions was obviously a temporary makeshift. It became increasingly apparent during 1935 that no fundamental solution had been accomplished, and that conditions would drift on to a grave banking crisis and probably to financial collapse unless more far-reaching reforms were undertaken. One faction, including some influential foreign bankers, wanted restoration of the old silver standard. What such a policy, even if feasible, would have meant is indicated by the fact that in Hongkong, which remained on the silver basis for a time, the price index in the summer of 1935 fell to under 70, as compared with 90.5 in Shanghai—the two indices earlier having stood at near the same figure. A few favored adoption, immediately after the silver export restriction, of a lower level of exchange similar to that later adopted; this measure to be followed by sales of silver, departure from the silver basis, and adoption of an exchange standard. Plans for such a reform were worked out at that time, a year before finally placed in effect. In the fall of 1934, however, there would have been not only tremendous inertia to overcome but very strong opposition to such a reform. Further suffering by the financial community and the public was required before they were impressed with the necessity of changing fundamentally the old silver basis.

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[3] *Part of this increase reflected improved control of smuggling in 1937 as previously mentioned.*

[4] *Report of Commission of Financial Experts (Kemmerer Commission), 1929.*

[5] *Passeri, quoted by Lee, Currency, Banking and Finance in China cited, p. 8.*

One of the chief questions of policy during 1934-1935 was whether a reform could be effected by China out of its own resources or only with support of a foreign loan. The Central Bank had already been accumulating foreign currency reserves, favored by the heavy exports of silver and gold, and it was clear that definite stabilization of exchange at a lower level would create conditions favorable to the augmenting of such reserves. Nevertheless procurement of a loan was highly desirable because it would add to confidence in the reform and, by strengthening currency reserves, would enhance the likelihood of success. But with strained relations between China and Japan, there were serious political complications, apart from the doubts resulting from the unsatisfactory state of China's public finances and the bad economic condition of the country. Loan negotiations would take time and might eventually fail. With the situation deteriorating, something had to be done in any case, and the chances of success might be lessened if conditions became too serious.

During 1935 the governments chiefly interested in Chinese financial conditions engaged in discussions concerning the practility of constructive measures for international support of monetary stabilization in China. The proposal which emerged from these discussions was that American, British, French and Japanese experts should visit China, to discuss the problem on the ground with the Chinese government. The governments, however, were unable to agree even on this formula, and the result was that only the British expert, Sir Frederick Leith-Ross, went to China. Soon after his arrival and before measures of external assistance could be devised, the financial situation deteriorated to such a point that the government was compelled to take action on the lines previously prepared. On November 3, 1935 the government announced the reform. Exchange was to be stabilized at an agreed level, since for political reasons it was not advisable to tie the Chinese unit to any single foreign unit; silver was nationalized, and notes of the Central Bank of China, the Bank of China and the Bank of Communications were made legal tender. The reform was to be buttressed through reorganization of the Central Bank as the Central Reserve Bank of China and through balancing of the budget within 18 months.

The introduction of the reform was facilitated by helpful action by both the American and British governments. The latter, through its Ambassador in China, at once issued an Order in Council prohibiting British subjects in China from making payments in silver, the order being in line with the Chinese government's decree. This measure, which was necessary to relieve British subjects of possible legal liability, materially added to confidence in the reform because it showed the cooperation of the British government and insured the support of the influential British community.

In the fall of 1935 the friendly disposition shown by the American Treasury indicated the probability that substantial amounts of silver could be sold to provide funds for strengthening the reform. Negotiations progressed favorably during October 1935, Shortly after the reform of November 3, 1935, the sale of a substantial amount of silver to the United States was announced, thereby providing an invaluable addition to the fund for maintenance of exchange stability, and further adding to confidence in the reform.

In devising the basis for reform, those responsible relied extensively, and as it proved correctly, on the beneficial effects which would result from announcement of the stabilization of the currency at a suitable new level. Since the heavy exportation of silver for many months past had reduced the circulation to much below normal, it was felt that with stabilization the demand for currency would cause the market to sell cash exchange to the Central Bank, thereby adding to its balances abroad. This was actually what happened. Furthermore, it was felt that adoption of currency reform on the contemplated basis at the depth of the depression would check deflation and restore confidence, with consequent encouragement to trade. This, together with encouragement through lower exchange of remittances to China by overseas Chinese, which are a very important factor in China's balance of payments, was relied upon to enable the Central Bank to increase the external currency reserves.

Immediate Sussess

The reform was a conspicuous success from the outset. Several times the position of the monetary authorities was tested by speculators, sepecially at times of adverse internal or external events. Each time, however, the government banks were free sellers of exchange, both for cash and forward, and the speculators eventually had to settle their contracts at a loss, to the consequent profit of the banks. The substantial improvement of internal economic conditions made possible by the reform, and promoted by favorable crops and economic improvement abroad, enabled the acquisition of large additional reserves of foreign currencies. These resources were augmented by the cooperation of the American Treasury in further exchange of U. S. dollars and gold for silver. In the spring of 1936 Mr. K. P. Chen, together with Ambassador Sze, concluded arrangements with the American government for the sale of further quantities of silver and for making available U. S. dollar exchange for currency stabilization. The Chinese government announced at that time its intention to maintain adequate reserves against note issue consisting of gold, foreign exchange and silver, the silver portion of the reserves to have a value equivalent to at least 25 per cent of the note circulation. In July 1937 Minister Kung made a further arrangement with the American authorities for provision of U. S. dollar exchange for stabilization.

Since November 1935 exchange has enjoyed a stability not previously known in China, and the currency system has commanded confidence at home and abroad. In the spring of 1937 steps were being taken to complete the structure of monetary reform by converting the Central Bank into a Central Reserve Bank, in pursuance of the undertaking contained in the government's announcement of November 3, 1935. Following the work of the expert committee which drafted a new charter for the Central Reserve Bank, and after long discussions in Nanking, a plan of reform on modern lines was finally adopted in June 1937, and was about to be placed into effect when the Sino-Japanese hostilities broke out. Measures were also being taken to institute a reform of the banking system in order gradually to eliminate defects which have proved an element of weakness. This program of banking reform, however, was also held up by the Sino-Japanese hostilities.

The Ministry of Finance had meanwhile been reforming monetary conditions in the western and southern parts of the country. In Szechuen province steps were taken looking toward replacement of the chaotic circulation of depreciated coins and notes by dollar currency. In the Canton region the "small money dollar" notes—based formerly on five depreciated silver 20-cent coins—were being withdrawn and national currency substituted.

Substantial progress had been made toward introduction of a decimal system of subsidiary money. For several years fractional paper banknotes had been tending to supplant the old, depreciated silver 20- and 10-cent coins. At the beginning of 1936 the government commenced the circulation of 20-, 10- and 5-cent pure nickel coins and 1- and ½-cent copper coins, the product of the Central Mint at Shanghai. These coins were in great demand from the public, and the program called for substituting them both for the fractional paper money and for the various copper coins which still form an important part of the circulating medium.

Thus, in a brief time, China's monetary system was being transformed and modernized, to the great benefit of the people of the country and also of other countries trading with and having interests in China.

Foreign Loan Settlements

Governmental loans are a comparaitvely recent development in China. Aside from a few relatively small borrowings, no external debt was contracted before the foreign loans of 1895-1898, and no internal loan was successfully floated prior to the advent of the Republic in 1911. China's debt has been incurred for three main purposes: for indemnities, or loans in connection therewith following the Sino-Japanese war of the nineties and the Boxer uprising of 1900; for constructive purposes, chiefly railways; and to cover governmental deficit. As of July 1, 1937, China's total debt was equivalent to roughly $4,500,000,000, Chinese currency or, say, U.S. $1,350,000,000. Approximately three-fourths of this was under charge of the Ministry of Finance and most of the rest was railway debt. Somewhat over half was internal debt. The principal amount of debts in arrears not yet settled was roughly a tenth of the total outstanding principal—but some years earlier unsettled debts had been a third or more of the total.

Apart from a brief period following the Revolution of 1911, customs-secured foreign obligations have been regularly paid. Salt-secured loans were also regularly paid up to 1927, in spite of the seizure of salt revenue by regional authorities. But in 1927-1928 these seizures did not leave enough to meet even the relatively small loan payments that had to be provided out of salt revenue. Meanwhile, the railway system was disintegrating due to requisition and destruction of equipment during civil wars, and to seizure of railway revenue by regional authorities. When the National Government signalized its triumph by the capture of Peking in 1928, virtually all the national debt other than customs-secured foreign obligations was in arrears.

The Nationalist program included the rehabilitation of China's credit. With revenues that were grossly inadequate and with a country disorganized and at times and in places even chaotic, the task was indeed formidable. Nevertheless, the government made a beginning with the salt-secured loans, by instituting the system of loan quotas as mentioned. Fortunately, the arrears due from salt revenue were not very large. The program announced by Finance Minister T. V. Soong in September 1929 provided for: (1) immediate payment of the arrears of interest on the Anglo-French Loan of 1908, the senior loan; (2) increase of the salt revenue contribution for the Hukuang Railway Loan of 1911, over and above the contractual payment, so that one coupon could be

(*Continued on page 34*)

The Meaning of the "New Deal" in Tokyo's Cabinet

WHAT had loomed for more than a month took place in Tokyo May 26. Three men holding key posts in the Japanese government, resigned. Four men, each a potent factor in the group he represented, stepped into the vacated positions. Resigned were Koki Hirota, minister for Foreign Affairs; Okinori Kaya, minister of Finance; Shinji Yoshino, minister of Commerce and Industry. Appointed were Gen. Kazushige Ugaki, former governor-general of Korea, to minister of Foreign Affairs; Seishin Ikeda, head of the Mitsui interests until two years ago, to the posts of Minister of Finance and Minister of Commerce and Industry; Gen. Sadao Araki, former minister of War, to the important post of minister of Education, taking this post from Marquis Koichi Kido, who had held it concurrently with the portfolio of Public Welfare. Five days later, the Ministry of War announced that Lieut-Gen. Hideiki Tojo, chief of staff of the Kwantung Army, had been appointed vice-minister of War in succession to Lieut.-Gen. Yoshijiro Umezu. Umezu was gazetted for a post "somewhere in the Sino-Japanese war zone." He left the same day, flying to Changchun.

When the furore had died down, the cabinet stood thusly:

Premier:—Prince Ayamaro Konoye.
Foreign Affairs:—Gen. Kazushige Ugaki.
Finance and Commerce:—Mr. Seihin Ikeda.
Home Affairs:—Adm. Nobumasa Suetsugu.
War:—Gen. Gen Sugiyama.
Navy:—Adm. Mitsumasa Yonai.
Public Welfare:—Marquis Koichi Kido.
Education:—Gen. Sadao Araki.
Justice:—Mr. Suehiko Shiono.
Agriculture:—Count Yoriyasu Arima.
Communications:—Mr. Ryutaro Nagai.
Railways:—Mr. Chikuhoi Nakajima.
Overseas:—Sonyu Ohtani.
Chief Cabinet Secretary:—Akita Kasami.
Chief of Legislation Bureau:—Masao Taki.

Premier Konoye, a tool of the military and long considered a weakling, principally because in the face of a crisis six weeks ago, he retired to his home "in illness" rather than face the issues, lost no time in bringing his new cabinet together. On May 27, he called a meeting to consider a far-reaching administrative program dealing with foreign and internal affairs. They studied the immediate prosecution of the following measures:

1. Establishment of a central organ to take charge of China policies and problems;
2. Revision and reinforcement of war-time financial and economic plans;
3. Re-arrangement of national mobilization plans,

Need for regulating commodity supply and demand and national finances, matters now under the jurisdiction of the Ministries of Commerce and Industry and Finance, brought the movement under way to amalgamate the two Ministries into an Economic or Military Affairs Ministry, well-informed observers close to the Government said. This problem may first be dealt with, they surmised, by the establishment of a Commodities Adjustment Bureau, combining the temporary Commodities Adjustment Bureau under the Ministry of Commerce and Industry with the Exchange Bureau of the Ministry of Finance.

Premier Konoye asked the members to "go ahead with renewed determination to attain Japan's fixed objectives in the China incident." But, if the cabinet began work on a far-reaching program of foreign and domestic affairs no announcement of such action was made to the press. Premier Prince Konoye explained to his colleagues the reasons for the resignations of the former Foreign Minister Hirota; Kaya, former Finance Minister, and Yoshino, former Minister of Commerce and Industry.

Ugaki Statement Puzzling

Then, as Ugaki assumed the post of foreign affairs minister, he issued a statement to Japanese newspapermen which would give every honest newsman a headache. They could do no better than quote him verbatim. He said: "I am going to do something, so just wait and see."

The world's immediate reaction to Tokyo's cabinet re-shuffle was that here is a virtual military dictatorship in Japan and now Japan will intensify her prosecution of the China war. What few realized at the start, was Japan undoubtedly could conceive of no more vigorous means that she has used up to date to press her conflict on the Asian continent. What Japan could do outside of bombing and killing thousands upon thousands of helpless civilians, smashing cities, churches, hospitals and universities, no commentator ventured a suggestion.

In England, the reconstruction of Japan's cabinet was featured in every paper. The *Manchester Guardian stated* that the Japanese forces have a long way to go before they conquer China, but apparently they had "already conquered Japan." Close observers of Far Eastern affairs stated that the reconstruction of the Japanese Cabinet is really a "confession of weakness," indicating the Government's growing sense of the unpopularity of the war in China, and of the consequent need for strengthening its position vis-a-vis the Japanese public by the inclusion of popular men of high repute. Nobody expects the Cabinet changes to have the slightest effect on the attitude of China towards the war. The universal opinion of official circles and newspapers alike is that the loss of Hsuchow, and even the possible loss of Hankow, in no wise weakens China's resolve to prosecute the struggle unflinchingly.

French Comment

The orientation of Japanese policy was widely discussed in Press of Paris, *La Republique* states that London was offering to act as an intermediary between China and Japan and that Hirota, was lending an attentive ear, while anxious not to "upset the apple-cart" with the Soviets. Hirota, however, the paper declared had now gone, and Japan was now settling down to the war in China. *L'Ordre* declares that Japan was not satisfied in allowing the military to plunge her into a vast gamble, which might leave her exhausted, disorganized and ruined. The journal went on to say that Japan was visibly cherishing the reckless intention of burning all her bridges, with only the Western powers capable of helping her out if she gets into extreme difficulties. *L'Aube* remarks that if Japan devotes some time longer to her work of death and destruction, it may be Japan herself who will prepare the way for the bolshevization of Asia, "perhaps beginning with Japan."

Germany Reticent

The Berlin press hardly commented on the reshuffle of the Japanese Cabinet, and seemed to be remaining reserved intentionally. Political circles declared that the reshuffle shows the seriousness of the Sino-Japanese conflict. With regard to Germany's official attitude, they added, it has not changed despite the recognition of "Manchukuo."

Tokyo Predictions

Describing the newly reconstituted Cabinet as "the best obtainable," the Tokyo's metropolitan press predicted new changes were impending in ministerial ranks. The changes, the papers declared, were a result of the protraction of hostilities in China. While the new Cabinet is admittedly a war-time organ, it will be further strengthened in the near future, the papers predicted. Gen. Ugaki's main attention was expected to be riveted on a readjustment of Japan's relations with Russia and Britain, the strengthening of the anti-Comintern Pact and the economic rehabilitation of China.

"The Cabinet reconstruction indicates the Government's firm determination to bring the present incident to a successful termination," the *Asahi* declared, "but it is premature to regard the reshuffle as a completion of a war-time structure." The *Yomiuri* expects Gen. Ugaki to do everything possible to attain Japan's objectives in the China incident in the shortest possible time, while experting his efforts to strengthen the tripartite anti-Comintern Pact and readjust Japan's relations with the Soviet Union, England and the United States. The *Nichi-Nichi* said the Cabinet changes have important significance both at home and abroad. The reorganization is in reality a "reform of the Cabinet system." Reconstruction of the Cabinet, the *Nichi-Nichi* asserted, was a greater task than revision of government machinery would be.

Expressing satisfaction with the Cabinet shifts, the *Yomiuri* said they were effected at an opportune time coinciding with favorable military developments in China. The daily said it hoped that Konoye "will maintain the courage he has shown in reorganizing the Cabinet by going on to the last to realize the final objectives of the hostilities." The leading financial daily *Chugai Shogyo* counted on great achievements likely to result from the appointment of Ikeda. His acceptance of the Cabinet post "shows that he has unusual ambitions and resolution," the journal stated, in view of the fact that on a previous occasion he refused to become a Cabinet Minister.

China's Reaction

The Cabinet reshuffle in Japan, comments the Shanghai *Wen Hui Pao*, has completely placed the Japanese Government in the hands of militarists. "The fact that five important posts in the Cabinet are now held by Japanese militarists," says the paper, "is indeed a rare instance in Japanese politics since the period of Mejei Restoration."

The reorganization of the Konoye Cabinet, observes the journal, may be construed as a step to soothe internal dissensions in Japan rather than a measure to readjust Japan's foreign policy. It is an undisputable fact that there have been dissensions between the Army and the Foreign Office and their conflict has been intensified since the outbreak of hostilities in China. Hirota is a veteran statesman, but he has lost the favor of the militarists. The appointment of Ugaki, a veteran soldier as well as a statesman, to the post of Foreign Minister, it seems to us, was made by Konoye with a view to unifying diplomatic policy and effecting control on the activities of the young militarists."

China's Policy Not Affected

The reorganization of the Japanese Cabinet reveals the difficulties which the Japanese Government is encountering, said a high official in Hankow. China is determined to prosecute the campaign of resistance to its logical conclusion, and her national policy will in no way be affected by the changes in the Japanese Cabinet, he added.

Dr. Scherer Confirms Report About His Decoration

CONFIRMATION of the report published in the *China Weekly Review* (Match 12) that the Japanese decoration conferred upon Dr. A. B. Scherer, author of "Japan Defies The World," was made for the express purpose of sealing his lips about the true conditions in Japan, was received this week from Dr. Scherer himself. In a letter to the *Review*, he asked that certain impressions created by the *Tokyo Asahi's* review of his book be corrected. His letter follows:

Editor,
China Weekly Review:

"A translation of a purported "review" of my latest book (from the *Tokyo Asahi*) having appeared in your issue of March twelfth, I should greatly appreciate your publishing my comments thereon. The only true statements about the book are that it is entitled Japan Defies the World, was published early this year by Bobbs-Merrill, and sells at $2.50.

(1) Instead of beginning with silly stuff about building a house from the roof, the first thing in the book is a quotation from Abraham Lincoln, "Stand with anybody that stands right; stand with him while he is right and part with him when he goes wrong." The opening chapter is written throughout in a serious vein. The silly stuff is cited in a later chapter as an example of what foreigners used to say of Japan, and not as "the motivating power toward Fascism." Had I said such a thing I should indeed be crazy, as charged in the original article, which, however, accuses me in the same breath of having received "a huge rewarding sum" for my work.

(2) I have received not a penny for it except the regular royalties, nor did "anti-Japanese organizations" have anything to do with it. As a matter of fact I wrote three-fourths of it before leaving Tokyo in the midsummer of 1936, as the footnotes prove.

(3) I did not write from a grudge for failing to obtain a post as Foreign Adviser to the South Manchuria Railway, to succeed Mr. H. W. Kinney, as the original article charged, saying that I was "self-recommended." Government officials made the suggestion, and it was at their request that I prepared a career statement, without committing myself. And when Sterling Fisher of *The New York Times* told me certain things in Tokyo nothing could have induced me to go to Dairen.

(4) The book does not say that Japanese "live in a primitive state of feudalism." It does say that many of them get feudal wages. My admiration and affection for the PEOPLE appear throughout. It is the same now as when the Japan Society of New York published my "Romance of Japan." The present book does not deal with romance. To get my full view of Japan both should be read.

(5) The book does not "distort and desecrate Japanese history." It is documented, referring to such authorities as Sir James Frazer and Basil Hall Chamberlain, as well as to Drs. Genchi Kato and Yoshi S. Kuno, so that "distortion" and "desecration" should be laid at their doors, if anywhere.

(6) The criticism of scholars is divided, largely depending on whether they know Japan at first hand, or get second-hand misinformation. Some of those born and brought up there, strangers to me, warmly approve. In yesterday's mail came a letter from a distinguished American scholar saying: "My love for the Japanese people has not waned and I feel the same strong bonds as ever binding me to that people, but it is necessary for me to turn away with horror . . . . I could add much more but I have said enough so that you will recognize that I am one of the many who feel exactly in the same way with you about Japan, the land of my birth . . . . and that it was necessary for you to write." I, too, thought it necessary, and that is all there is to it. I knew the book would be banned, and so wrote to my publishers, whom I also told that I expected to be called a horse-thief of at least fifty-seven varieties.

(7) The truth about my much-discussed Decoration may be gathered from what I wrote to the Japanese Consul-General here on March 1: "A Tokyo dispatch informs me that your present government regrets, in view of my book" "Japan Defies the World, the bestowal on me last summer of the Order of the Sacred Treasure. I was told it was bestowed 'because of valuable services rendered in the cause of international friendship.' If it was given to seal my lips, I have no desire to retain it, and return it herewith."

When a high official thanked me, just before my departure from Japan, for my previous writings, and expressed the hope that I would continue my interpretation of Japan to America, I replied that I intended to continue to tell the truth as I see it. I said virtually the same thing to Consul Tomokazu Hori at Los Angeles when he conferred the Decretion last July. But the Consul-General here made it plain when he sought an interview with me after I had returned it that it had really been intended to seal my lips. He even went so far as to say that he had been instructed to tell me that I might keep it if I would change my opinions. I could hardly trust my hearing. Even an imperial Order is no longer prized when it is reduced to the level of barter.

Yours respectfully,
James A. B. Scherer.

2523 Steiner St., San Francisco.

Taxation by Puppets Forces Closure of Tobacco Plants

Only twenty out of the total of 80 tobacco factories in Shanghai were not destroyed during the hostilities but only 10 are operating now. That the other 10 factories have so far failed to resume their operations is because of the fact that they cannot pay to the puppet "Reformed Government" the high taxation on cigarettes. According to well-informed circles, tax amounting to $65 has to be paid to the puppet regime for one case of cigarettes. Furthermore the lack of transportation facilities has made it impossible for the factories to ship their products to other ports for sale. As its Hongkew factory will produce sufficient cigarettes to meet the demand of the local market, it is reported that the Yee Tsoong Tobacco Company has definitely decided to suspend the operations of the Yangtsepoo and Pootung factories of the company. It is reliably reported that the "Reformed Government" has obtained permission from the Japanese to ask for a loan of $500,000 from each of the three factories of the Yee Tsoong Tobacco Company in Shanghai. The foreign tobacco company have, however, refused to lend the money on the ground that the "Reformed Government" has not been recognized by the British Government. It may be pointed out that before the outbreak of hostilities, Shanghai had a total of 80 tobacco factories with a total capital of $20,000,000. These factories employed a total of 17,000 workers, producing 10,857,000 cigarettes in one hour.

Chinese Cotton Mills Hindered

Representatives of the Chinese cotton mills in the Japanese occupied areas in Shanghai are not allowed to enter their factories to make arrangements for the re-opening of the mills, according to Chinese industrial circles. On the front gate of the Chinese cotton mills, the Japanese authorities posted a notice instructing the Chinese management to discuss with a Japanese cotton mill for the re-opening of the factory. Refusing to co-operate with the Japanese cotton mills, it is generally believed that the Chinese mills will not be bale to resume operations as long as the Japanese troops are staying here. It may be recalled that the Japanese cotton mills proposed to the Chinese managements some weeks ago to re-open the mills under joint management and that the Japanese will receive profits to the amount of 51 per cent. This offer was refused by the Chinese factories.

Shanghai Cotton Market Removed to Hongkong

As a result of the war, no cotton can be shipped here from the interior and little cotton has been exported in the past few months. Hongkong has therefore become the cent of cotton exports, according to local cotton merchants. Large quantities of cotton are reported to have been sent to the Colony from the interior provinces and exported from the Southern Port.

Fitch and Barnett Attend Annual Y.M.C.A. Conference in St. Louis

George A. Fitch, secretary of the Nanking Y.M.C.A. and Eugene E. Barnett, executive secretary of the International Committee of the United States and Canada, attended the annual conference of the National Council of the organization in St. Louis on May 5.

The conference recommended that sovereign nations delegate some authority to "some form of world organization" as a solution of international wars and disputes. The trade agreements now being negotiated by Secretary of State Crodell Hull, also received approval.

George A. Fitch, secretary of the Nanking Y.M.C.A. and former secretary of the foreign Y.M.C.A. in Shanghai, in the course of an interview in the *St. Louis Post-Dispatch*, described conditions prevailing in the former Capital city following occupation by the Japanese Army. He said that Japanese Embassy officials were powerless before the Japanese Army.

Celebrate Dragon Boat Festival

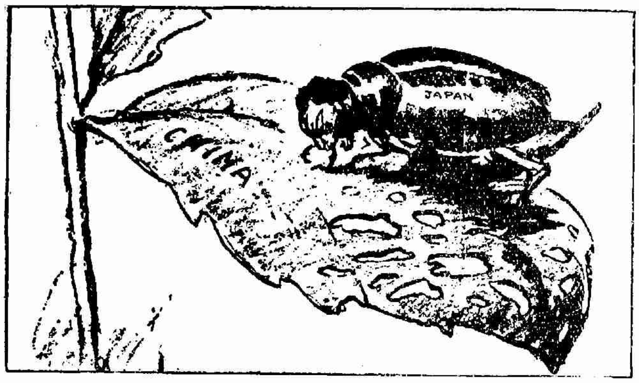
The Dragon Boat Festival Settlement day for local Chinese banks, which fell on Thursday, June 2, passed without any difficulty as a result of the efforts made by the Discount Committees of the four government banks in the readjustment of the local financial situation. All Chinese banks here declared a holiday on the Dragon Boat Festival Day. A general meeting was held by the Native Banks Federation on the same day.

War Spurs Central China Industry

THE war has far from stopped the wheels of progress in Central China. On the contrary, it has brought blessings which may in time offset the costs. In come ways the Canton-Hankow Railway has suffered worst, with constant aerial bombardment. Yet the railway seems to be carrying a fourfold traffic with only slight interruptions. As the railways in the north and in the Yangtsze delta region have been disrupted the rolling stock has been brought to the South, and the locomotives and cars have concentrated here. Yet even the greatly expanded service is so congested with freight and passengers that an immediate doubling of freight and passenger cars will be needed, the *China Press* reported this week.

All along the lines, the railway stations and sidings have had to be enlarged and multiplied. At important stations one often sees six trains standing at the same time on the parallel sidings. The traffic justifies a two-track line. But at least much has already been done in multiplying the number of passing switches, both in-between stations and alongside the older stations. Several important stations, like the East Station, Changsha and Chuchow, are putting up overhead passenger crossings, from platform to platform. The railway stations have been greatly enlarged, still they are heavily crowded. Overhead cover now protects the chief passenger platforms. Yet these things are only the beginning. The plan to finish the two new railways to the West—that from Siangtan to Kweiyang and that from Henyang to Keilin—gives assurance that cars will be running on those lines within two months. No wonder a single order for 50 new locomotives was placed.

JAPANESE BEETLE



Urbana (Ill.) Courier

Changsha was a city that numbered its motor cars, last November, in the tens. Suddenly 4,000 cars arrived with refugees from Nanking and other places. Several thousand new military trucks have also passed through this city from the South. The motor roads are now in constant use from Changsha to Canton, to Wuchang, to Nanchang, and to the whole line of Western provincial capitals. Bus traffic inside the city has been resumed. The net-work of roads is being constantly extended, even on to Burma and to Russia.

New Hotels Opened

The China Travel Service is putting in a whole chain of modern hotels, at Changsha, Yuenlin, Kweilin, Kweiyang, many being already in operation. The same company has a government contract to maintain a freight service, on five routes. Let the motor-car driver consider what all these things mean. It is true that, during the war, gasoline can only be bought with a license. Previous difficulties are being ironed out. For instance, there is an able man in charge of ferries here, and the delays in ferriage are greatly reduced. The writer has been supervising churches in six other cities. Of these six, only three were accessible by motor-road last year. Two more are being linked up at the present time, and the missing links are being provided so fast that it will probably be only a matter of months when motorized traffic will find accessible routes connecting all the main cities. Recently Changsha was also connected by a regular air-service, for passengers and mail, to Hankow and Hongkong. The planes carry full loads of passengers, booked far ahead.

It is not expedient at this time to dwell on the location of new industries. The wide distribution of new factories all through the hinterland provinces result in damage from air raids. Within a 200 mile radius one learns of a new alcohol factory making very high test ethyl alcohol from potatoes, on a commercial scale. There is a bakery for making bread for the army, a plant organized on a huge scale for army clothing and bedding, an electric light bulb works, a factory turning out superior radio sets at one third the price of inported articles, a chemical works, a steel plant, and other plants for cement, procelain, motorcars, and some big railway shops. There is also a great, modern arsenal, excavated below ground, under the hills, safe against the heaviest bombings. At a certain place one sees a large school of mechanics in blue jeans learning to repair motor cars and trucks. But the scattering of military training units makes for hundreds of miles of camp as far as the eye can reach. There is a schedule of monthly output of trained men, under the selective draft, for all sorts of services—infantry, artillery, tank-corps, cavalry, river-defense, and aircraft.

If one compares the Chinese soldier who went through the modern training with those of older days, it is like comparing two different races of people. There is a marked improvement in physique. Moreover this new military training has been made compulsory in all walks of life. Fighting for China is no longer "coolie-pidgin."

Morale Changed

The morale is changed in all things. One hears of occasional difficulties from the overbearing soldier. One wounded aviator was much criticized for behavior in the hospital, until he was shot down by superior enemy force, after a bombing expedition and heroic dogfighting, within a month of recovery. But the wounded soldier has been more sinned against than sinning. The reception given in this province to the first 100,000 wounded last December and January was so bad that there is no excuse except utter incompetence in the face of an enormous task. But the appointment of such able men as Gen. Wang, in charge of the 13,000 wounded in Changsha, brought order out of chaos. The wounded get wages which pay for food, and decent food, with a small margin for little extras. These men love to talk about their experiences at the front. On recovery, great numbers of them have at once re-enlisted.

In the smaller cities there have been a good number of the more well-to-do refugees. So that there is a leavening of the backward parts of the hinterland with those who represent the more advanced coastal regions. A city like Changsha gets the many thousands of destitute, who are put into camps. But there has been unexampled generosity. The local salt merchants gave $30,000 in a single donation. The Christian groups have sheltered many of all classes. The union Christian Committee maintains a 50-bed hospital in temporary quarters for refugees, and for air-raid wounded, the two classes needing help most.

It has been a revelation to this city, also to see how many able, modern-trained women there were among the refugees of the upper classes, who have helped organize relief work. Some of the school faculties have been vastly improved by the higher trained teachers from Nanking and other war areas. There are places with college teachers on primary school staff. One notable group of seven trained women from among the refugees has been visiting some of the smaller cities for intensive evangelitic and literacy campaigns.

Say Yangtsze Opening Inopportune

Apart from the actual difficulties involved in the process, "the time is inopportune for the opening of the Yangtsze" to foreign shipping, Rear-Admiral Kiyoshi Noda, the Navy's spokesman, announced in Tokyo May 26. The statement came in the wake of recurrent press reports on the possibility of an attempt by British merchantmen to ply the Yangtsze under armed protection. Speaking on the basis of observations made by him on a recent trip from Nanking to Shanghai, Rear-Admiral Noda asserted that such passage is both dangerous and difficult. The Japanese naval authorities, he said, have succeeded in opening a narrow waterway on the Yangtsze by removing booms and sweeping mines laid by the Chinese. This narrow channel, however, is from time to time menaced by floating mines and other obstructions, he asserted. Besides, the naval authorities are using this waterway for military operations, he declared.

"Although the time is inopportune for the opening of the Yangtsze," Rear-Admiral Noda said, "I hope for an early resumption of navigation on the river." The official recalled "with regret" that the Japanese proposals to dissuade the National Government from closing the Yangtsze waterway with booms and mines was disregarded by foreign diplomats in Chiha, when the Government was still planning such a step.

Two Tibetans Accused of Stealing Living Buddha's Jewelry

Two Tibetans named Lobsang and Danzin and their Chinese assistants are under detention in Shanghai, charged with the theft of jewelry, banknotes and other valuables from the Peiping home of the Panchen Lama valued at more than $100,000. The Tibetans formerly on the staff of the Panchen Lama apparently were on the way to Lhasa, capital of Tibet, traveling by way of India. The valuables were in a trunk which had been brought to Shanghai where much of the material had been sold. The Panchen Lama died several months ago while on his way back to Lhasa after many years of exile in China. It also was brought out at the hearing in the local court that two watchmen employed at the local Chinese Yienyeh Commercial Bank had sensed the inexperience of the Tibetans and had extorted the sum of $1,000 from them when they went to the bank to cash a check for $3,000.

U. S. Begins Big Drive for China Relief Funds

CONSOLIDATION of five American organizations, now active in relief work for China, into a central body to be known as the United Council for Civilian Relief in China was announced recently in New York by Theodore Roosevelt, national chairman of the new council. The five organizations entering the coalition are the American Bureau for Medical Aid to China, Labor's Committee for Civilian Relief in China, the woman's division of the labor committee, the New York Woman's Committee for Civilian Relief in China and the China Emergency Civilian Relief, Inc.

Consolidation of these forces, Roosevelt said, means that the United Council will have behind it 4,000,000 members of organized labor and 2,000,000 women affiliated with labor organizations, a group of nationally known industrialists, financiers, educators, religious and civic leaders, and a committee of about seventy New York social leaders. Plans for a national campaign for funds is now under way.

"The cause of the more than 50,000,000 innocent and unarmed Chinese civilians, who are in a state of destitution as a result of the Japanese invasion of their country, is one that arouses the sympathy of Americans in all walks of life," hde declared. "An appalling number of these Chinese civilian victims are women and children. I am confident that in the national endeavor to raise funds for their relief, plans for which now are being made, we will have the hearty support of all those Americans who are roused to action by such cruelty and injustice as now are being visited upon the civilian population of China."

Bowl of Rice Ball

The five national bodies have joined for the organization of a national Bowl of Rice Ball to be held simultaneously in hundreds of cities throughout the United States, June 17, for the benefit of suffering China.

For the purpose of bettering acquainting Americans with the situation in China, Matthew Woll of the American Federation of Labor, recently organized the Labor's Committee for Civilian Relief in China, with headquarters in Washington, D.C. In connection with this organization, James A. Thomas, of White Plains, N.Y., has written Dr. Alfred Sze, former ambassador to Washington and London, asking him to become a member of the Speaker's Division. Thomas, in his letter to Dr. Sze, said that if the Labor's Committee receives U.S.0.50 cents from each of its members, it will receive from five to six million U.S. dollars. He also stated that it is not definitely settled whether the American Red Cross will put out another appeal for Chinese refugees, but the China Famine Relief U.S.A. Inc., and the China Child Welfare Inc., are issuing further appeals.

Situation in China

The situation in China remains as direful as ever. In a letter to Major A. Bassett, chairman of the American Advisory Committee for Civilian Relief in China, Rev. Roland Averbeck, of the Catholic Mission in Changtien, Shantung, reports that the silk and cotton factories in that city that have supplied a livelihood for hundreds of workers have been completely destroyed; numerous railway employees are jobless, without money, food or hope of employment. He said that many have lost their homes and are now living either in their mission compound or finding miserable lodging and begging food elsewhere.

He appealed to the American Committee for funds with which to carry on his work of feeding thousands of unfortunates.

Quakers To Aid

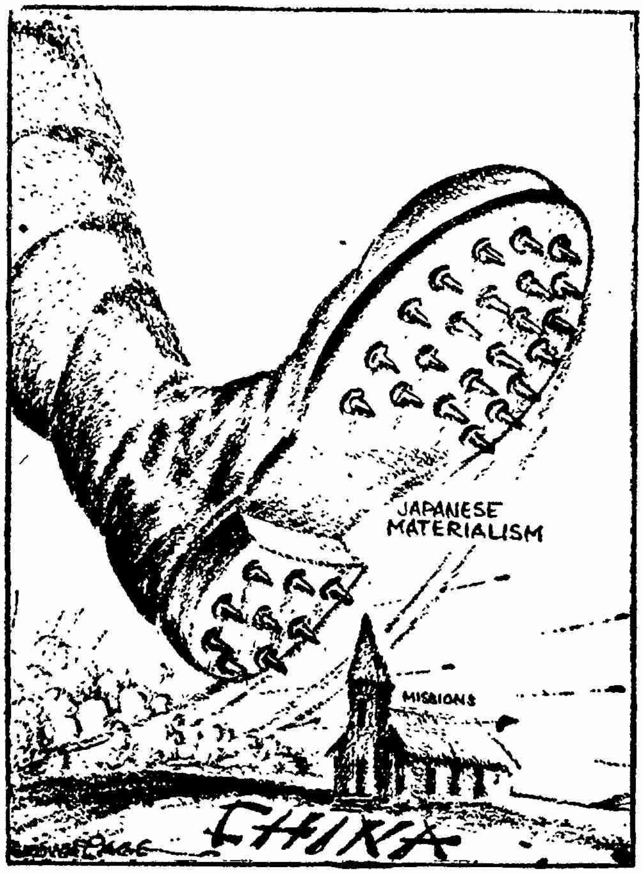
Officials of the British Quaker organization, known as the Society of Friends of England, who aided countless thousands of refugees in France, Poland and Russia during and after the World War, are now studying conditions in the war-devastated areas in China with a view of carrying out and financing smiilar relief work in this country. Two representatives of the Society, who are members of the Mission to the Far East, have arrived in Shanghai to gather necessary information on the situation prior to making their recommendations to their organization regarding a relief program in China. The two members of the special mission are: Mr. H. T. Silcock, vice-chairman of the Society's China Committee, and Mr. B. Ward Perkins. Both these men were actively connected with Quaker relief work administration during the World War, although Mr. Perkins is not a member of the Society.

Suicides on Increase

A serious increase in the number of attempted suicides during the month is reported in the report of April issued by the Lester Chinese Hospital, fifty-four women and thirty-four men having been treated at the Hospital after, unsuccessful endeavours to end their lives. This represents an increase of nearly 50 per cent. over the previous month. The work of the hospital continues at high pressure, many patients of the refugee type being brought in suffering from beri-beri and other deficiency diseases. Typhus continues in an epidemic form. Outpatients visiting the hospital numbered 10,913, and there were 571 inpatients admitted. The number of inpatient bed days was 8,405. Inpatient operations totalled 181, and outpatient, 246. There were 36 industrial accident cases, and people brought in by the Shanghai Municipal Police numbered 502, and by the French Municipal Police, 51.

Three hundred foreign and English-speaking Chinese girls, including typists, stenographers, dressmakers and even nurses, are without jobs in Shanghai today. At least, this is the number registered with the Employment Bureau of the Young Women's Christian Association. The majority of these girls are British, Russian and Portuguese. About 20 per cent are Chinese. Only a few are of American nationality. According to officials of the Y.W.C.A. Employment Bureau, the plight of many of these girls is actually desperate. Some of them, well-qualified for office jobs, have been out of work for several months. Some of them, not so well-qualified, are studying in the hope that something may turn up in the near future and remove them from the ranks of the unemployed. Present depressed business conditions in Shanghai offer but little in the way of hope of immediate jobs turning up for the great majority of these girls, even those who are out of the student class. Stenographers and typists are not greatly in demand at the present time.

In The Way



Louisville Courier-Journal

War Refugees Pouring Into Shanghai

The influx of Chinese war refugees into Shanghai continues unabated since the occupation of the surrounding areas of this city, according to a report from the *Hwa Tung News Agency*. It has estimated that more than 2,000,000 people from war areas have arrived in Shanghai, and more are pouring in for refugee. Well-informed circles here attribute the continued influx of war refugees into this city to the fact the Japanese have enforced compulsory recruiting of adults in their occupied areas.

Los Angeles Chinese Contribute

Overseas Chinese in Los Angeles have contributed $10,000 for relief of war refugees in Kwangtung. The remittance was sent through Mr. Chu Shou-yu, Chairman of the Chinese Association in support of the campaign of resistance at Los Angeles, to Mr. Tseng Yang-fu, Mayor of Canton, who cabled a message of thanks to the donors.

Japan Continues War On Chinese Non-Combatants

THE cries celebrating the hollow victory of Hsuchow were still echoing along Tokyo's Ginza, in the towns and hamlets throughout Japan when things happened this week which, if they had been revealed in the columns of Japan's censored press, would have stilled the government-inspired clamor. But Japan's press remained mum and her citizens, outside of watching a reshuffling of warlords in the cabinet, did not know that the crack troops of Lieut.-Gen. Doihara had been split in a smashing counter-attack by Chinese forces; did not know that the Chinese army had reoccupied towns on the southern bank of the Yellow river or that Japanese boat communication to the north had been cut. Neither did they know that Nipponese troops were surrounded in villages northwest of Lanfeng, desperately fighting off annihilation; that China had recaptured Lanfeng, and that Japanese retreat in that area had been virtually cut off.

They received piece-meal reports of other activities of their army in China, but of the outrages which again horrified the world, they did not learn the truth. They did not read that in three air raids on Canton this week (May 28, 30, 31) more 1,000 helpless Chinese men, women and children had been killed; some 1,200 wounded. The bombs, the Japanese said, were intended for military objectives, but most of them fell wide of their mark, exploding in the densely-populated sections of the city. They did not know that the Japanese raiders machine-gunned rescue workers who rushed to the scene, killing 40 of them, wounding 50. But the world knew, and on May 30, in the House of Representatives at Washington, D.C., a Congressman read the following message from Canton: "Terrible suffering caused by indiscriminate bombing. For God's sake, can you help?" Dozens of similar appeals for a protest were telegraphed by Canton organizations, both foreign and Chinese, to all parts of the world except, perhaps, Japan.

But the readers of newspapers in Japan did learn this:

Arthur Henderson, Labor member for the Kingswinford division of Staffordshire, asked the Prime Minister, Neville Chamberlain, for a statement in the House of Commons, on June 1, on the air bombing of civilians in Canton, and that the League of Nations Union is holding a conference on the subject.

Perhaps, they did not read The *Manchester Guardian* comment, declaring that the raiders made no effort to find their military objective, stressing the alleged fact that they dropped bombs on the crowded living quarters of the city. They made their purpose plain, the newspaper asserted, by machine-gunning rescuers. There was a time, the *Guardian* continued, when such "outrages" would have awakened the world to instant protest, "but war, which tends always to brutalize combatants, now appears to have dulled the conscience of onlookers with its repeated horrors.

No Longer Self-Confident

"Japan, which in the full pride of her first successes took little notice of a protesting world, is no longer so self-confident. The final victory has receded and the Japanese armies face avast hostile continent, with constant menace from the north." "International opinion, if expressed with sufficient resolution," the newspaper adds, "might stay Japan's continued assaults on civilian life."

But they did read that two or three Chinese planes flew over southwestern Japan, for the second time in two weeks, on the night of May 30. And they wondered, and rightfully so, how the Chinese could be so foolish to make such a dangerous trip and not drop any bombs. This time, the Chinese planes did not even drop anti-Japanese leaflets. Whoever is the guiding genius behind these junkets to Japan may, it is generally agreed among foreigners, wake up some day to the fact that a ton of bombs is more convincing than a ton of leaflets. Concerning the Chinese flight, the Japanese reported:

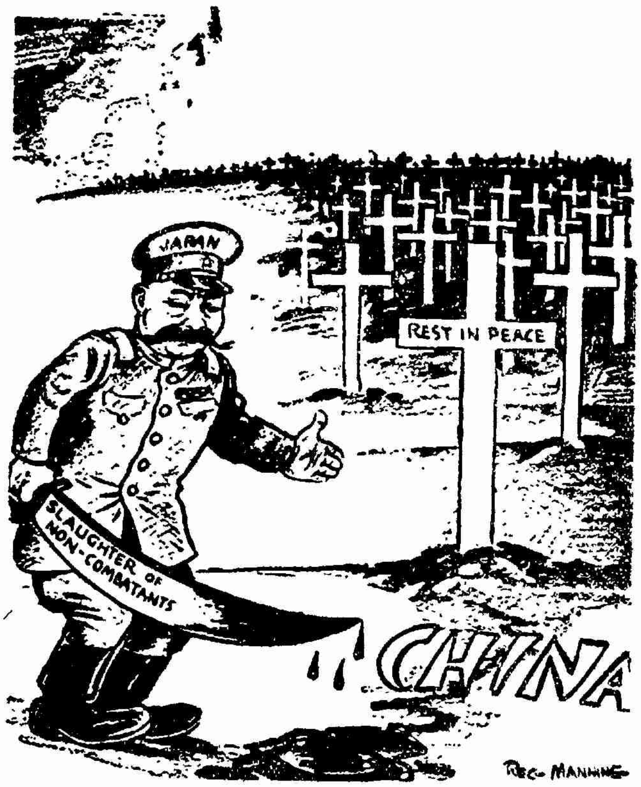
"The airplanes, presumably enemy aircraft, the Western Defense Headquarters said in a communique, first appeared over the southwestern coast of Kagoshima Prefecture in the southernmost island of Kyushu at 9.30 p.m. May 30. The all-clear signal was given at 1 a.m. May 31 Shortly after the warning was lifted, however, the planes appeared over Fukuoka Prefecture. In making its first announcement, the War Department said two planes flew over Amakusa Island, west of Kyushu Island, and headed for Kumamoto city, scene of the scattering of propaganda leaflets by Chinese planes on May 20. They hovered over the city suburbs at 10:30 p.m., May 30, the War Department said. After the two or three unidentified planes soared over Kagoshima at 9.30 p.m. May 30, they proceeded over Kumamoto through the southwestern corner of Amakusa Island, Japanese reports from Kokura, Kyushu Island, said. Reports from Ike Island said the planes were seen at 11.20 p.m. The planes also flew over Takanaben in the Mivazaki Prefecture, southeastern cost of Kyushu Island. Since the planes were not sighted nor heard over Yamaguchi, it was believed that Japan proper was safe.

Fear Korea Raids

"Earlier on the night of May 30 the Seoul Defense Headquarters issued a general warning for blackouts, presumably fearing that Korea would be raided again. Chinese planes for the first time flew over Japan in the early hours of May 20 when they hovered over Kyushu and dropped millions of leaflets addressed to the farmers and laborers. The leaflets suggested that the working classes arise against the Japanese militarists."

But, along the banks of the Yellow River, the Bushido warriors of Doihara were not being shown the consideration at the hands of Chinese troops that Chinese planes demonstrated to non-combatants in Japan. On May 29, part of the Doihara division was forced to draw nearer to the river while the Chinese wedge pushed the main body westward where an imminent Chinese attack was expected. The main part of the Japanese forces were massed in six mud-walled villages between the railway and the river, awaiting Japanese reinforcements from Kweiteh. Doihara's sole communication line was to Chenliukou.

I SEEK TO BRING PERMANENT PEACE



Rock Island (Ill.) Argus

Ancient Artillery

Meanwhile Chinese troops began bombarding Japanese occupied towns with ancient and rickety artillery in an effort to wipe out remaining Japanese units before reinforcements could arrive. Chinese headquarters close to the front were sometimes shelled but infrequently, leading Chinese to believe that the Japanese were short of ammunition. In one of the war's most desperate stands, 200 Chinese troops scaled the walls of Chuhsinchi despite heavy Japanese machine-gun fire. One hundred survivors of the charge rushed with bayonets against the Japanese inside the town. Eighty more were lost in the attack. The Japanese, however, were said to have withdrawn to the other side of the town, dragging their wounded after them. The Chinese survivors set up machine-gun netss and held off the Japanese successfully for two days until Chinese reinforcements arrived and occupied the entire town.

Japanese Consular and Diplomatic Officials in Washington and Berlin

Japanese diplomatic and consular officials stationed in the United States and various European nations held conferences on May 16, according to reports in the Japanese newspapers. Those stationed in the United States met at the Embassy in Washington, while those stationed in Europe, met in Berlin.

The subjects discussed at the Washington meeting included the Sino-Japanese conflict and the international situation, Japan's policy toward the United States, protection of Japanese residents and traverers in the United States. The conference in Berlin, according to the *Asahi* was concerned with the "adjustment of Japanese diplomacy as applied in various European countries in connection with the development of the China incident and the changed political situation in Europe.

Japan Industrialists Alarmed As Export Trade Nears Collapse

THE slow and steady decline of Japan's export trade is causing serious concern to business circles in Japan. Although the trade figures published for the period January 1 to May 10 of this year—show a drop in the unfavorable trade balance of Yen 339,000,000 from the corresponding figure of last year, this has only been caused by a rigid curtailment of imports, and the export trade has actually fallen by no less than Yen 194,000,000 since last year.

The relative figures for the period January 1 to May 10 during the years 1937 and 1938 are:

(All Figures in Millions of Yen)

	1938	1937	Drop Since 1937
Exports	906	1,100	194
Imports	1,029	1,563	534
Excess of Imports over Exports...	123	462	339

Somewhat ironically, it is the sudden reduction of imports that is primarily responsible for the fall in exports. The reasons which prompted the Government to reduce imports for normal business are easily understandable. They were, first, to restrict the importation of ordinary business materials in favor of concentrating on materials for munitions, and secondly, a desire to lower the unfavorable trade balance in order to support the burden of the present hostilities. But the result is that industrialists are now experiencing great difficulty in acquiring the materials necessary to push their enterprises—and where there are materials available the prices of these have risen exorbitantly owing to the limited supplies of these materials and their consequent scarcity value.

Inevitably, therefore, the export trade is suffering. The Tokyo leading financial daily even goes so far as to say that if the present situation continues much longer, the industrialists in Japan "will be ruined." It is really only those industrialists who are profiting from the present munitions boom who are making any headway today.

About Japan's War Financing

Some Japanese economists have made fantastic statements as regards Japan's alleged capacities of war financing. The most optimistic of these statements is crediting Japan with the ability of spending Yen 12,000 million annually on war expenditure throughout four years, before becoming financially exhausted, John Ahlers writes in the *China Press*. Such statements, however, are based merely upon estimates of eventual repayments through several decades out of a theoretical maximum state revenue considered possible in Japan, while the question of war financing through the floating of loans, in the first place, is obviously one not so much of repayment but of finding and raising the money needed.

In order truly to define Japan's domestic bond issue capacity in the present war, the more appropriate method to apply seems to be to consider what this capacity has actually been in the past, and what it should amount to nowadays according to the present economic and financial state of affairs in Japan. The Russia-Japanese War of 1904-1905, on the Japanese side, was chiefly financed with the help of foreign loans raised in Great Britain and the United States where, however, today no war credits are obtainable for Japan. For the floating of war loans, Japan at present has to rely exclusively on her domestic loan market. In 1904-1905 she was unable to raise more than Yen 480 million war loans as a result of complete financial exhaustion. According to Japan's most prominent financiers, Japanese finance and economy as a whole since the Russo-Japanese War have extended their power and capacity, as expressed in yen of the present value, by eight or ten times. Japan therefore should be able now to raise war loans to an amount approaching some Yen 5,000 million.

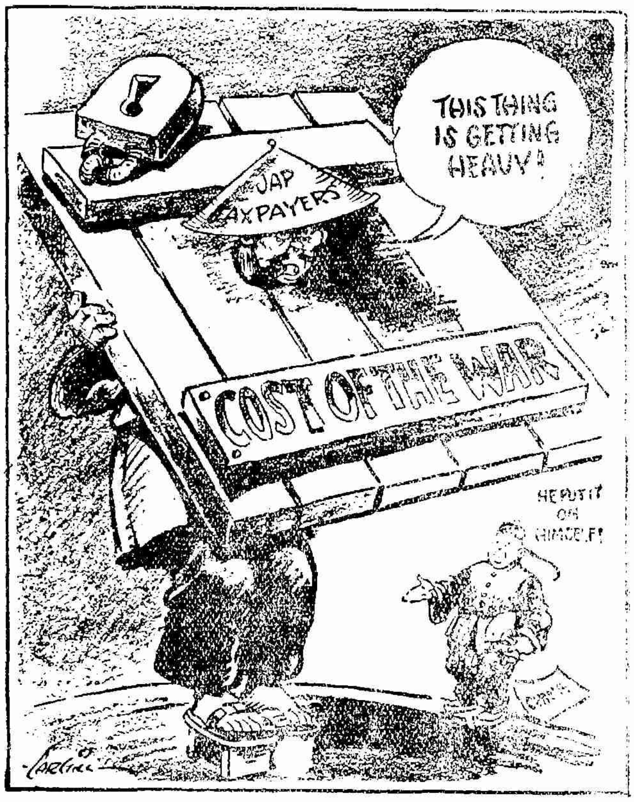
In connection with the present China War, Japan has already issued eight war loans totaling Yen 1,700 million, and the Japanese government has been empowered by the Japanese Parliament to raise an addition Yen 5,100 million in war loans, the total of the war loans hitherto authorized by the Japanese Parliament amounting to Yen 6,800 million. In the light of our estimate of Japan's present capacity of domestic war loan issues, the war loan authorizations by the Japanese Parliament already surpass this estimate considerably. It seems reasonable to assume that if all the Japanese war loans authorized are actually issued, within less than a year Japan will face such financial exhaustion as she faced in 1905 on the eve of the Portsmouth Peace.

Thus far, however, Japan has floated much smaller amounts in war loans than have been authorized. The war loan authorizations for the financial year 1937-38, which ended on March 13, 1938, totaled Yen 2,400 million, but only Yen 1,500 million war loans were actually issued. Since then, there has been only a single war loan issue of Yen 200 million, this in April, 1938. Although it has been said that the principal cause of the lagging of Japanese war expenditure behind the estimates is the slow pace in production of war materials ordered by the Army and the Navy in Japan, actual Japanese war costs seem to be smaller than the Japanese Parliament has been told. But it has by no means been easy to raise the loans offered in the Japansee domestic capital market since the outbreak of the war, although the actual loan issues were much smaller than those planned. There are not only the war loans under the Special Account of Extraordinary Military Expenditure to be raised, but also the deficit loans under the General Account of the Japanese Budget.

New Issue Total Yen 2,230,000,000

In 1937-38, the new bond issue in Japan totaled Yen 2,230 million, i.e. Yen 1,500 million under the Special Account and Yen 730 million under the General Account. These issues amount to almost thrice the yearly average of domestic bond issues in the five previous years 1931-36. The practice of selling government bonds in the normal way by subscription had to be abolished by September, 1937, and since the new issues have all been turned over en bloc to the Bank of Japan which endeavors to dispose of the bonds as best it can. More than 20% of the bonds taken over by the Bank of Japan could not be disposed of, and the bank's holdings in government bonds in the beginning of the current financial year, 1938-39, surpassed the holdings at the outset of 1937-38 by not less than Yen 467 million. The Bank of Japan has had to resort to direct inflation to balance this increase in government bond holdings, and has raised its note issue in the same period by Yen 431 million. This increase in the note issue contributed considerably to the general price increase in Japan, and it also forced the Bank of Japan to revise downward the gold cover prescriptions of her statute.

ABOUT READY TO TUMBLE?


THIS THING IS GETTING HEAVY!
JAP TAXPAYERS
COST OF THE WAR
HE PUT IT ON HIMSELF!

Hagerstown (Md.) Herald

The largest client for the new bond issues, however, was the Deposit Bureau of the Ministry of Finance which holds under its control, and at its mercy, the billions of small savings in the Postal Savings Bank. The Deposit Bureau took over not less than Yen 588 million new bonds, Postal savings by the small man in the street thus became one of the chief financial resources of the Japanese military.

Commercial Banks Reluctant

Other savings banks bought new loan bonds totaling Yen 143 million, while the commercial banks, despite their enormous financial power, were very reluctant to acquire government bonds and even after much "encouragement from the government bought no more than for Yen 152 million. In the first four months of the current year the Bank of Japan sold altogether Yen 950 million in new government bonds, and herefrom Yen 310 million to the

(*Continued on page 39*)

Claimed Siberian Jewish Colony Making Rapid Progress

The Jewish colony, located on the Biro-Bijan rivers, tributaries of the Amur, west of Habarovsk, Siberia, has become one of the most prosperous areas in Siberia. The settlement was created in 1928 for the purpose of providing a home for Jews in the Soviet Union who had lost their positions in the course of the revolution. In 1934 the settlement had grown in influence and prosperity sufficiently to achieve autonomous political status in the Union.

The number of Jews who have settled in the district in the 10 years since its establishment is approximately 20,000. With the original inhabitants of the area consisting of Russians, Koreans, Chinese and several tribes of aboriginees the total population is now approximately 60,000.

When the first Jewish settlers arrived, the district was largely marshy land, with no roads or industrial establishments of any character. There was a prosperous rice-growing agricultural area along the Amur which had been developed by the Koreans. Today the district boasts a large garment factory, a lime kiln, a woodworking factory, five brick kilns, a marble dressing plant and dozens of smaller industries, including gold mining. The soil is extremely fertile while the forests abound in sables, raccoons, bears, deer, foxes, and grey squirrels. The factory output in 1927 exceeded 5,110,000 roubles in value while artisans cooperative enterprises produced goods valued at 27,000,000 gold roubles in 1937. There are now 120 schools with about 15,000 children entrolled, including a school of music and ballet. Four technical colleges have been opened.

The Soviet Government has deeded the colony 125,000 acres of land in perpetuity. About 30,000 acres has been drained and placed in cultivation. Houses constructed number 620, with 285 in process of construction.

Japanese Kidnapped Near Hangchow

Two Japanese traders were kidnapped by a Chinese guerilla unit near Shintai, in the upper reaches of the Whangpoo River, on May 13, the *Shanghai Nippo* reported. As no news of the subsequent fate of the two men was available here, the Japanese authorities were said to be fearful for the fate of the kidnapped traders. The missing men,—Kenzo Ishikawa, 44, and Nobuo Takahashi,—left here for Kinshan and Pinghu, north of Hangchow, aboard the steam tugs, Teidai Maru No. 2 and Teidai Maru No. 7. Nothing was heard of them or the ships until May 15, when two other Japanese,—Masaichi Fuchigami and Matsuo Kobayashi,—staggered into the Japanese military headquarters in Kinshan and reported that their ship,—the tug Kiku Maru No. 2,—had been attacked by Chinese guerillas.

On the afternoon of May 13, they said, the two Teidai tugs steamed past the Kiku Maru near Shintai. The vessels did not exchange signals of any sort. A few hours later, when the Kiku Maru was about 4 klms. Upstream from Shintai, she was suddenly attacked by about 30 Chinese, armed with pistols and rifles. While the two Japanese sought refuge in a hold, the Chinese boarded the tug and asked if there were any Japanese aboard. Trembling in fear, the two men heard the attackers say that they sought no money but "Just wanted the Japanese." With the Chinese members of the crew assuring the attackers that the ship was Chinese-owned and carried no Japanese, the guerillas were heard saying that they had just kidnapped two Japanese aboard two tugs. When the guerillas left the ship, the two Japanese came up and turned the tug back to Kinshan.

U. S. Exports to China Increase

Exports to China from the United States during the first quarter of this year totalled U.S.$22,356,000, compared with U.S.$18.358,000 for the corresponding period last year. Exports to Japan during the same period were valued at U S.$62,573,000 as against U.S.$76,322.000 in the previous year. For the first three months of the year imports from China into the United States amounted to U.S.$12,753,000, compared with U.S.$32,766,-000, while imports from Japan were U.S.$30,232,000 and U.S.$53,718,000, respectively. The increase in exports to China, it was indicated, was due to more buying of automobiles, copper and cotton, while the decrease in imports was caused chiefly by the difficulty in shipping from the interior of China. The decrease in purchases of Japanese goods, the report added, was attributed partly to the slower pace of business activity, and partly to cancellation of orders for goods from Japan.

Chinese Turn Down Offer of British Aviator

Hugh Taylor, a British aviator, is learned to have offered his services to the Chinese Government in the capacity of a flying instructor, but to have been informed that there are, unfortunately, no vacancies at present. Taylor, who is an Old Etonian, arrived in Hongkong recently on the s.s. Carthage, and is staying with friends there, *Reuters* reported. A later report said Taylor was missing and it was believed he had gone to Hankow.

Exhibition of Chinese Dances

Spectacular Chinese dances by outstanding Chinese artists was featured at a Garden Fete and tea-dance held at Farrens May 28th. The program included the Scarf Dance and the famous Rainbow Pass Dances performed by artists in costumes. In the Scarf Dance, the dancer enaced the role of Chang-O, Maid of Heaven who has stolen the fruit of longevity. Pursued by an angry Goddess she flees into the morn for refuge. During her flight she dances with a scarf ten yards long of iridescent colors, thus portraying movements of clouds.

A woman's feud with a dashing warrior was the theme of "The Rainbow Pass" a dramatic ballet depicting a battle between Lady Tong-Fang and Wang Pot'ang, the warrior, amidst flying banners and great beating of drums. Dressed all in white, mourning in the habitual Chinese custom, Lady Tong-Fang of the Rainbow Pass ventures forth on her mission to avenge the death of her husband who was slain by the warrior, Wang Pot'ang. However, contrary to expectations, she is captivated by his bravery and charm and weakens in her vow for vengeance and endeavours to beguile him but without success. She is roused from her reverie by the deafening peal of drums from the Imperial group to action and allows herself to be defeated by the magnetic warrior. Betwixt the clangor of the gongs she flees back to the Rainbow Pass.

Japanese Plane's Record Announced

Japan's famous monoplane, "Wings of the Century," which broke the world's long distance record May 16, covered 11,651 kilometers around a closed circuit course in 62 hours, 22 minutes and 49 seconds at an average speed of 186.775, it was announced officially by the Imperial Aeronautical Association. The big craft henceforth will be known officially as the long distance airplane of the Aeronautical Institute. The association will apply to the International Aviation Federation in Paris for recognition of the two records for distance and speed established by the Wings of the Century. The association decided to present medals of merit to its crew. Chief pilot on the flight was Major Yuzo Fujita, Army ace, who was accompanied by two co-pilots.

Bill Would Protect American Banks Abroad

Understood to have been drafted with a view to possible developments in China and Spain, Senator Robert F. Wagner, Democrat of New York City, on May 21 introduced a bill in the Senate for the protection of branches of United States banks abroad. The measure, which is favored by the big banks owing to their desire to avoid a situation similar to that following the Russian confiscation of American funds in 1917, would allow foreign branches of American banks to suspend operations at any time. It would also free them from the responsibility for assets seized confiscated, destroyed or impaired by the action of foreign countries.

Nankai University to Be Rebuilt

Determination to rebuild Nankai University, which was bombed and destroyed by Japanese airplanes in Tientsin last year, was expressed by Dr. Chang Po-ling, President and founder of the University, in the course of an address at a meeting of the Nankai Alumni Association in Hankow May 14. Every available Nankai graduate was present to meet the beloved chief. The University now maintains an accredited middle school in Chungking, Dr. Chang announced. It is the intention of the University to open another middle school at Tzeliutsing, in southern Szechwan, in the near future.

Kiangwan Becomes Japanese Military Center

In view of the growing activities of Chinese guerillas in the surrounding areas of Shanghai, steps are being taken by the Japanese military in erecting defence works in the Kiangwan area. The area extending from Shachinghang to Dixwell Road has been demarcated as a defence sector, and strict precautions are being taken along Chimei Road adjoining Dixwell Road. Chimei Road has been re-named "Matsui Road", in honor of their former commander-in-Chief. A light railway is being planned to link up Chimei Road with the Shanghai-Woosung Railway.

Chinese Traitor Killed by Girl

General Lin Tai, a divisional commander of the Chinese Army, who deserted his troops and assisted the Japanese to attack the Chinese in Anhwei Province last month was killed by Hwa Yu-chieh, a girl, on May 12 at Fengyang, according to a belated report received in Hsuchow. Miss Hwa was 19 years old, and studied in the Anhwei Third Provincial School before the outbreak of hostilities. Now she is connected with the Women's War Service Corps in Anhwei Province.

Sinkiang—A Stonewall to Japanese Influence

BY C. Y. W. MENG 孟長詠

SINKIANG, (or Chinese Turkestan) meaning the "New Borderland," comprising an area of 5,000,000 square li is the largest province in China, twice as large as Tibet, four times larger than Szechuen, fourteen times larger than Kiangsu and fifteen times larger than Chekiang. The whole province is divided into nine "administrative districts" each with its own executive, whose functions are similar to that of the special commissioners of the administrative bureaus commonly known in other provinces. It has 72 hsiens. Sometimes one administrative districts is bigger than one of China's small provinces. But so far as the density of the population (roughly put at 4,000,000) is concerned, it falls far below any other province in China Proper. When it is compared with the population, say, of Chekiang (20,331,737), one of the most densely populated provinces, the ratio is 1 to 5!

In the recent years, we have read and heard very often about the frequent warfare among the local warlords, corruption among the officials and the "sovietization" of the province. But what is going on in Sinkiang today, and is there any truth about its sovietization?

To learn the true situation, we can do no better than to refer to a new 100-page booklet, written by Tu Chung-yuan, generally known as one of the "national-salvation readers", and once the editor of the famous "New Life" magazine which was, however, forced out of existence while its editor was imprisoned for 12 months owing to his publication of an article on "Gossip About the Emperors." He went to Sinkiang last September and returned from there recently. His book is nothing but his personal observations on the spot and up-to-date investigations of this remote province.

Sinkiang's Governor

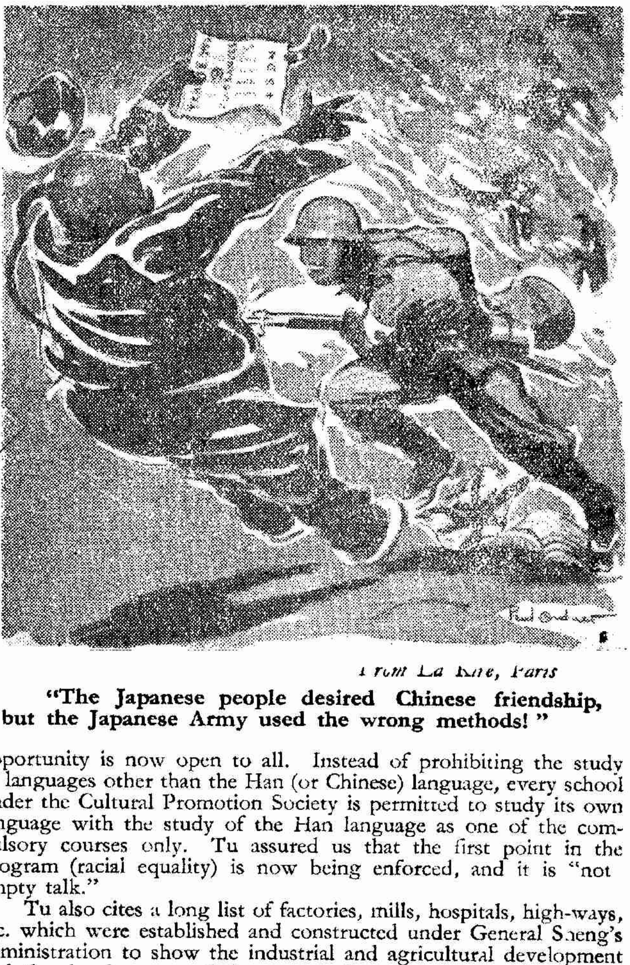
But in order to understand the situation, it is necessary to know something about the personal history and personality of the chairman of the Sinkiang Provincial Government—General Sheng Shih-Tsai. He is a native of the Liaoning Province (now under the Japanese military occupation), 46 years of age. He was a poor boy from a poverty-stricken family in his native land. In 1918, however, he was a student of political science and economics in one of the Japanese universities. During his school days he was already known for his patriotism, and he was said to be "full of revolutionary spirit." He took a leading part in the demonstration in Japan in opposition against the Japanese "21 Demands" to China in 1915 and the "Decision of Paris Peace Conference" in 1918 in awarding Shantung to Japan. He came back to China as one of the representatives to present grievances to the government, and later he studied in the military academy in Shaochow (Kwangtung Province). Later he served as a sergeant, battalion commander, etc. under General Kuo Soong-ling who later revolted against Marshal Chang Tso-lin. Upon the failure of Kuo's revolt, he went to Japan again to study in a military academy, supported financially by Generalissimo Chiang Kai-shek, where he graduated. When the "Northern Punitive Expedition" was started, he was connected with the Generalissimo's Headquarters. Upon the completion of the campaign, he was transferred to the General Staff Headquarters. But with strong desire to take up more work, he first planned to go to Yunnan, and later upon the recommendation of friends, he went to Sinkiang where his career began.

Tu spoke very highly of this provincial chairman for his willingness to give up his high post in the General Staff Headquarters and to accept an inferior job in the provincial government, and for his desire to serve but never to seek fame. The editor considered him as a "living example" for the young men of today. General Sheng started in a life that was humble, but rose to the governorship by his patience and perseverance and devotion to work for the nation. Associates agree that his is a man of strong personality. That the task of this provincial chairman is made far more stupendous and difficult than any other provincial chairman, is easily understood if we have some knowledge of the actual situation in the province. A glance at the map will reveal to us that the province is bordered by the U.S.S.R. on north-west, India on south-west and the Outer Mongolia on north-east. Within the province there are no less than "14 races or nationalities," 80 per cent of which are Mohammedans, 10 per cent Hans (Chinese), and a mixture of 10 per cent. These people have their respective languages and customs. In giving speeches, this provincial chairman has to employ more than one interpreter to translate his words into different languages in order to make it understood to all. The animosity between the Mohammedans and the Hans is too well-known to need any citation by us. Therefore, beside handling the administrative affairs, the chairman has to deal with many other affairs, such as local foreign affairs and racial disputes and readjustments, etc. But, as it will be seen, General Sheng has proven to be a competent man for the position.

8-Point Program of Administration

When General Sheng took up his post after the flight of his predecessor (General King Shu-jen, he had a strong desire to improve the administration. He immediately announced his famous 8-point program of administration, as follows: realization of racial equality; protection of their eligious liberty; granting of rural relief; readjustment of the provincial finance; purification of the officials; development of education; promotion of self government; and reform of the judicial system. Space does not permit us to describe this program more fully. But it is obvious that this chairman wants to end mal-administration, to inaugurate a more "enlightened rule" and to unite all people in the province. Instead of taking high-handed measures, each "race or nationality" is permitted to establish its own "Cultural Promotion Society" which is in charge of the establishment of schools. Such schools receive regular subsidies from the provincial government. Three or four years ago, there were only 60 schools with about 2,000 students throughout the province, but now there are more than 1,556 schools with 150,000 students. Every year the provincial government sends 100 students to study in the U.S.S.R. Instead of permitting only the Hans (or Chinese) to enter government service, the opportunity is now open to all. Instead of prohibiting the study of languages other than the Han (or Chinese) language, every school under the Cultural Promotion Society is permitted to study its own language with the study of the Han language as one of the compulsory courses only. Tu assured us that the first point in the program (racial equality) is now being enforced, and it is "not empty talk."

WRONG METHODS!



From La Rire, Paris

"The Japanese people desired Chinese friendship, but the Japanese Army used the wrong methods!"

Tu also cites a long list of factories, mills, hospitals, high-ways, etc. which were established and constructed under General Sheng's administration to show the industrial and agricultural development and the development of the means of communications in the province in the last two or three years. "All reconstruction in the province is carried out in accordance with the plan. There is the Reconstruction Committee which consists of all high officials of the provincial government. There is a '3-Year Plan' of reconstruction. The service of the Soviet technical experts is engaged. Up to now the 'second year' is already completed," the writer noted.

Explanation of the "Pro-Soviet Policy"

This chairman also has made known his "6-Point Policy" of administration which embodies (1) Anti-Imperialism, (2) Pro-Sovietism, (3) Racial Equality, (4) Chastity, (5) Peace, and (6) Reconstruction. Let us discuss the first two.

Owing to its geographical location and its backwardness, Sinkiang has long been a hunting ground for the imperialists. Further, in the opinion of this chairman, "Russia of today is different from that of yesterday . . . She has no aggressive ambition . . . . Such lack of aggressive ambition is not verbally verified, by is evidenced by the economic system now in force in the Soviet Union, which has done away with feudalism and capitalism, ... The exploitation of human beings by human beings is no longer possible in Russia today . . . . Why would the U.S.S.R. invade us? . . . . in his will, Dr. Sun Yat-sen expressly reminded us to unite with all people of the world who treat us with equality so as to struggle together;" Continuing, this chairman was quoted as saying that "In order to reconstruct China, we first must crush foreign imperialism, particularly "*Japanese imperialism.*"

In carrying out the "3-Year Reconstruction Plan," the Sinkiang provincial government has engaged the services of the technical experts from the U.S.S.R., most of whom played important parts in the completion of the famous 5-year Plan in Russia. Chairman Sheng, is reported to have said that "with the exception of education which is our own problem and should be worked out by ourselves, we must rely upon these experts for advice, for they are experienced". Tu further told us that the U.S.S.R. has given the provincial government both material and technical assistance in reconstruction." All physicians of the hospitals, pharmacists of all dispensaries, instructors of the military academy and aviation schools, etc. are Soviets. . . . . But it would be entirely fallacious to think that the power has actually fallen into the hands of these advisers . . . . The Soviets employed hundreds of experts from the capitalist nations in carrying out the first 5-year plan, but it does not means that the power is in the hands of these people." said Tu.

Tu remarked that the Sinkiang provincial government had borrowed 5,000,000 rubles from the Soviet Government for reconstruction purposes at an annual interest of .04½ per cent. "Besides this, there are *no other terms,*" assured the editor. "Every school I visited, I saw the use of the "Three People-Principle textbooks" as schools do in other parts of China. . . . These textbooks are being translated into different languages. . . . There are many 'White Russians' who live in Sinkiang . . . . If there is any Sovietization of the province, how could these White Russians live peacefully ?. . . . ." asks Tu.

"The Soviet Government gives us material and technical assistance, and the Soviet experts give us advice, *but nothing more.* . . . . All these measures are arranged in a *temporary character. . . .,*" assured Tu. (In his preface of his booklet, Tu made it clear that in the course of his investigation, he was given every facility for reading over the provincial government gazette and is using the archives section where he obtained his material for his writing. He further told us that the chairman supplied him with local newspapers not only of today but of "two years ago!"

Japanese Subversive Activities Frustrated

"For the sake of prolonged resistance against Japanese invasion, our Government and people have paid special attention to Sinkiang, But we must know that 10 or 20 years ago our enemy (Japan) had already paid special attention to this province . . . . In the recent year, Japan has been remitting large sums of money to Sinkiang to bribe officials and armies in an attempt to create disturbances and to further their subversive activities in this province. . . . Recently we discovered that a large sum of $3,000,000 has been remitted to this province from Tientsin, and more $10,000,000 is coming—It is because the enemy knows that the victory of the present war of resistance against Japan lies in the co-operation between China and the U.S.S.R. . . . . But in order to realize co-operation, Sinkiang is an important center of communications. . . . . Once it is blocked, the Sino-Soviet communications is cut. . . . . So the enemy is willing to send large sums of money for this purpose . . . .," the chairman told Tu.

"But the Japanese are mistaken," continued the chairman, "all money is confiscated . . . . All people participating in the activities are arrested . . . . We have been exerting our full efforts to frustrate such activities and to search for the traitors. . . ." Tu said that during his short sojourn in the province he saw the arrest of the vice-chairman of the provincial government, the directors of the bureaus of finance and agriculture and other members of the provincial government for participating in traitorous organizations and activities. The visitor also noted that "since the outbreak of the present war with Japan, *this chairman began to make all necessary preparations.*"

The importance of Sinkiang to Chinese national defense during the present war against Japanese aggression, needs no explanation. It is fortunate that this province does not have such generals as Tang Yu-ling (Jehol), Han Fu-chu (Shantung), etc, but General Sheng Shih-Tsai is different. Sinkiang of today must not be confused with that of yesterday. Sinkiang is destined to play an important role in the present war!

Shanghai American Company to Employ Japanese Culture Leader

The Universal Leaf Tobacco Company, an American concern interested in the tobacco industry at Shanghai, is planning to employ a high Japanese "cultural" leader, according to an article in the April 20 issue of the *Osaka Mainichi*. The report stated that Toshio Tabata, 29 years of age, an official of the Society for International Cultural Relations, Tokyo, had been approached for the job. The organization is closely affiliated with the Foreign Office. The report stated that Mr. Tabata was the first Japanese to be approached for the purpose of organizing American-Japanese cooperation in the tobacco industry in China. Mr. Tabata is a graduate of Keio University, class of 1934.

Bodyguard Kills Puppet Employer

In a sensational double murder and suicide, a 50-year old Chinese bodyguard on May 29 shot and killed his employer, murdered another bodyguard who was his colleague and then ended his own life with the same pistol which he used in slaying his two victims. The principals of the crime which took place at House No. 9 Lane 542 Burkill Road, were: Wang Hsiang-ping, the bodyguard responsible for the two murders, Yu Hsi-chieh, a well-known Chinese local lawyer, and Hsu Chang-piau, another bodyguard in the employ of the attorney. Investigations by the police revealed that Yu, who was 47 years and a native of Anhwei, was in the employ of the Nanking "Reformed Government." Recently he was said to have been appointed by the Nanking regime to the post of "Director" of the "Salt Revenue Bureau."

Brooding over the fact that his employer was allegedly in the service of the Japanese-sponsored "government," Wang Hsiang-ping was said to have told his friends that he was not going to let his master "go unpunished." Recently, reports that Yu was planning to take a post in the "Salt Revenue Bureau" increased the anger of Wang Hsiang-ping. In a fit of fury, Wang decided to carry out his vow of "punishing" his employer. He went into the room of Hsu Chang-piau, who was also a bodyguard to Yu Pouncing on his colleague by surprise, Wang fired two shots into his victim at a point-blank range. The man died instantly.

Leaving the prostrate body of his co-worker behind, Wang raced madly upstairs to the room of the attorney. The latter, frightened by the two pistol shots, was apparently in the process of going downstairs to find out what had happened when he encountered his bodyguard. Cornering his victim, Wang aimed a single shot at the man's head. The bullet killed Yu instantly. With his double murder completed, Wang returned to his ground floor room. There he fired a shot into his own head. Several personal persons, including members of Yu's family and their servants, were in the house when the shooting occurred. Terror stricken, they were unable to aid the victim or to summon help. When they heard the last shot in Wang's room, they rushed in to find the man unconscious and dying. Police investigators were inclined to believe that the double murder and the subsequent suicide were carefully planned. This belief was backed by the fact that Wang shot his colleague first in order to prevent any attempt on the part of the latter to protect his employer.

Anti-Comintern Axis on Screen to Be Formed

A cultural pact on the silver screen is expected to be concluded among Germany, Italy and Japan for the anti-Comintern .war. Marquis Paulucci, as president of the Italian National negotiated with the Society for International Cultural Relations, Chinema Associations, while he was in Japan at the head of the goodwill mission and the arrangements have progressed since his departure. An agreement to exchange cultural films will be concluded among the three Powers. In August last year the Japan International Cinema Association concluded an agreement with German Film Kammer but owing to the dissolution of the Association the agreement fell, through. The International Cultural Relations Society will take over the business of the Association and revive the agreemnet to complete the tripartite link.

Texas Company Incident Protested

A protest was lodged by the United States Consul-General on May 21, with the Japanese Consul-General, against the boarding on May 19 by Japanese troops of the Texas Company's No. 1 launch, while alongside a foreign-owned Pootung wharf. Full details of the attack were obtained by the American oil company from a foreign employee who was on board the launch at the time, and were forwarded to the United States Consul-General. It was stated that the Japanese soldiers boarded the craft as it lay alongside a foreign wharf in Pootung and after making a search of the vessel, proceeded to manhandle the crew of 14 Chinese on board, despite the protests of the foreigner. Practically all 14 members of the Chinese crew were treated at St. Luke's Hospital, and two, whose arms had been broken, were detained in hospital for three days.

Chinese Embassy Counsellor Refused to Hand Over Premises

Y. C. Yang, Counsellor of the Chinese Embassy in Tokyo, who remained in Japan, following the departure of the Chinese Ambassador, Hsu Shih-ying, has refused to hand over to the premises to a group claiming to represent the puppet government in Peiping. According to a *Reuter* report from Tokyo on May 23 a delegation of 19 Chinese appeared at the Embassy, claiming they represented 80,000 Chinese residents of Japan, and demanded possession of the building. Counsellor Yang refused their demands and when the delegation threatened to stage a sit-down strike in one of the Embassy rooms, he called the police and had them evicted.

Outstanding Events in the Sino-Japanese War

A DAY-TO-DAY SUMMARY

First six months of this day-to-day summary constituting a complete record of outstanding events in the Sino-Japanese war on all fronts has been published in book form.

May 3.—Chinese claim advance of 7 miles following launching of general offensive in southern Shantung. Japanese forces at Taierchwang area reported retreating northward. New Chinese drive believed heralds commencement of decisive battle in southern Shantung, where Chinese alleged to have massed huge army of some 800,000. Fresh Japanese reinforcements also arrived in vicinity of Taierchwang.

In west Shantung more Japanese troops being rushed to Tsining and Nanyangchen, on shore of Nanyang Lake, preparing for drive southward with Kweiteh on Lung-Hai Railway as objective. Kwangsi Divisions commanded by Gen. Li Ping-hsien are moving into west Shantung to check Japanese advance.

May 3.—Text of agreement between Great Britain and Japan regarding payments of foreign obligations secured on Chinese Maritime Customs, operative for the period of hostilities, published in London and Tokyo. United States and France reported "raising no objection" to agreement.

Chinese Government at Hankow expected to issue statement, shortly, defining its attitude towards the agreement. China expected to insist on upholding the integrity of the Chinese customs administration and also continuance of payments on foreign loans secured on Customs revenues.

Shanghai Municipal Police dispatch reserve unit of police to Customs building as precautionary measure against possible trouble, as the Japanese sponsored "Nanking Government" threatened to take over Head Office. Li Chien-nan, Nanking appointed "Superintendent" of Shanghai Customs, announced that Sir Frederick Maze would continue to serve as Inspector-General. Li served as Commissioner of Customs at Tientsin in 1913 and in 1923 was Commissioner of Customs at Yangchow.

May 3.—Wang Keh-min, head of Peiping "Provisional Government," visiting in Japan, called on Premier Prince Konoye and conferred with him on measures for Japan's support and co-operation with Peiping regime.

May 3.—Japanese occupied Weihaiwei, on Shantung coast, on April 7; ban on publication of the news in Tokyo was lifted today, according to **Domei.**

May 3.—Chou Fu-hai, deputy Director of Central Publicity Department at Hankow assumed office (May 2) as Acting Director, owing to illness of Ku Meng-yu.

May 3.—Chi Hsueh-yuan, "Minister of Public Safety" in Peiping Provisional Government, appointed to concurrent post of President of Military College at Tungchow established by the Japanese army.

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May 4.—Chinese forces in southern Shantung claim to have broken center of Japanese line northeast of Taierchwang and made further advance. Japanese line between Lingyi and Tancheng also cut by Chinese mobile column.

Japanese forces in southern Anhwei moving toward Hofei, strategic city in Central Anhwei, in two columns from north and east. Chinese rush reinforcements to Hofei area to check Japanese advance. Tingyuan, northeast of Hofei, reported captured by Japanese.

Vanguards of Chinese troops in Suiyuan have reached a point only 10 miles from Kweishui, Suiyuan capital.

May 4.—Japan lodged two protests with Moscow against Soviet military assistance to China and Soviet's failure to reciprocate Japan's "goodwill" advances.

May 4.—Death sentence pronounced by Shanghai 1st Special District Court in Shanghai on Tsung Zeng-keng on charge of being an accomplice in murder of Dr. Herman C. E. Liu, late Shanghai University President, on April 7.

May 4.—Shanghai Municipal Council published report on industrial losses in Shanghai as result of war. Enormous losses inflicted on factories of all nationalities during period of hostilities.

May 4.—Chinese Embassy at London objected to Anglo-Japanese agreement regarding Chinese Customs. Objection based on fact that Great Britain admitted Japan's control of Customs revenues in 8 ports of North China.

May 4.—All German military advisers serving with Chinese Government will shortly be recalled by Berlin, **Domei** reported from Tokyo.

May 4.—Chang Kuo-tao, Chinese Communist leader, expelled from Communist Party on April 18, according to **Hsin Hua Jih Pao,** Communist organ there. Reported that Chang's expulsion caused because he started movement advocating merger of Chinese Communist Party with the Kuomintang, and supporting Kuomintang policy.

May 4.—Jukong Wharf in Civic Center of Shanghai renamed by Japanese as Iida Sambashi in memory of Lt.-Col. Iida who led landing party which occupied the wharf.

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May 5.—Following bitter fighting for several days, lull now prevails on southern Shantung front. Chinese forces said to be consolidating ground gained and waiting for reinforcements before launching further attacks. Convoy of 100 Japanese motor trucks from Lingyi laden with provisions and military supplies for the Japanese at Tancheng attacked by Chinese column. Indecisive clashes continue between Chinese and Japanese troops on southern sector of Tientsin-Pukow Railway in vicinity of Pengpu.

May 5.—Large quantities of arms and ammunition sent to China by France since start of hostilities, according to **Domei** report from Tokyo.

May 5.—Hankow Chapter of London Lord Mayor's relief fund has donated $10,000 to Chinese National Red Cross Society, upon recommendation of British Ambassador, Sir Archibald Kerr.

May 5.—Vice-Admiral K. Hasegawa, former Commander-in-Chief of Japanese China Seas Fleet, apologized to Emperor for casualties sustained by units under his command during hostilities in Shanghai area. He emphasized primary importance of Japanese victory to other considerations, such as Japanese trade or post-war rehabilitation in China. He further stated "I am not returning in triumph; I am merely proceeding to a new post." Hasegawa recently was transferred to part of Commandant of Yokosuka naval base.

May 5.—Nine cases of bombing occured in March in International Settlement of Shanghai, according to Shanghai Municipal Police report.

May 5.—Remains of Gen. Wang Ming-chang, Szechwan Division Commander, who was killed in action at Tenghsien, southern Shantung, arrived at Hankow.

May 5.—Nine Japanese war prisoners in Wuchang interviewed by foreign correspondents. Prisoners stated they were being well treated. Main body of Japanese war prisoners captured at Taierchwang, who were at first to be taken to Hankow, have been sent to concentration camp in the interior.

May 5.—Fang Ching-chuan, known as "King of narcotics" and "financial agent for Japanese espionage ring in Hankow area," executed in Hankow after court-martial.

May 5.—Chinese League of Nations Union issued manifesto, denouncing abandonment of principle of collective security and reversion to pre-war balance of power through alliances and alignments.

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May 6.—Having failed to make appreciable progress in southern Shantung after 10 days of severe fighting, Japanese forces on southern sector of Tientsin-Pukow Railway, massed at Hwaiyuan, west of Pengpu, launched offensive in attempt to drive toward Hsuchow from the south. Furious fighting proceeding with Japanese heavily spelling Chinese positions.

Chinese claim success in west Shansi; Chungyang reported captured and Lishih attacked.

May 6.—China lodged formal protest with Great Britain through Chinese Embassy at London against Anglo-Japanese agreement on Chinese Customs. Note declared China reserves full rights and freedom of action in Customs matters; deplores that the Chinese Customs should be made subject of agreement between two foreign nations without China's consent. Unanimous opposition to agreement voiced by Chinese press in Hankow.

Nanking "Reformed Government" issues statement through Japanese **Domei** agency announcing the taking over of Shanghai Maritime Customs Administration. Li Chien-nan, Nanking appointed "Superintendent" of Customs, called on L. H. Lawford, Commissioner of Customs at Shanghai. Nanking's spokesman said Lawford "pledged" to obey Reformed Government's orders.

May 6.—Seventy-five Japanese airplanes destroyed, either during aerial combats or by Chinese anti-aircraft fire, during April, according to communique issued at Hankow.

May 6.—Direct loss sustained by the United States during past 10 months of hostilities between China and Japan estimated at more than U.S. $150,000,000, according to official estimates. Contigent and potential loss believed far greater.

May 6.—Rights of British vessels to navigate China waters without Japanese interference asserted in protests lodged by the British simultaneously in Shanghai, Tokyo and London. Protests resulted from Japanese seizure and search of British steamer, **Tungwo** on Yangtsze, near Tsungming Island, on April 26.

May 6.—"I warn Germany, Japan and Italy that if dictatorships push the democratic nations too far the result will be war," declared U.S. Secretary of War, Harry Hines Woodring, in speech at Washington, yesterday (May 5).

May 6.—Peiping tense as Chinese guerilla bands arrive within 8 miles of city's West Gate; many other units near Tungchow. Japanese search all Chinese entering or leaving Peiping.

Chinese guerillas entered Nanking on May 2, and fought Japanese troops inside the city for two hours, claimed in Hankow report.

Tangtu, on Nanking-Wuhu Railway, claimed occupied by Chinese.

Tehtsing, midway between Hangchow and Huchow in Chekiang, recaptured by Chinese.

May 6.—Hankow spokesman denounced as "outrageous" report in Japanese newspaper **Yomiuri** that Gen. Yen Hsi-shan, Commander-in-Chief of Chinese forces on Shansi front, had made overtures to Japanese for surrender.

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May 7.—Violent fighting developed in Tancheng-Pihsien sector, southern Shantung. Despite severe attacks, Japanese failed to make any appreciable advance. Japanese plan offensive operations in West Shantung, where large forces concentrated in Tsining-Nanyangchen sector. Japanese purpose was to strike Lunghai railway west of Hsuchow and cut off Chnisee forces. In southern sector of Tientsin-Pukow Railway, more Japanese troops at Pengpu crossed the Hwai River and attacked Chinese positions.

Japanese also extremely active in Hofei area, Central Anhwei.

Four important cities in East Shansi, Yushen, Wuhsiang, Siangyuan and Sinhsien recaptured by Chinese, according to Hankow report. Recapture of Tsungyangkwan, important pass on Shansi-Honan border, also claimed by Chinese. Lishih, in west Shansi, recovered on May 4.

Nantungchow on north bank of Yangtsze River now scene of bitter fighting between Chinese guerilla bands and Japanese garrison. Japanese rush fresh troops from Shanghai to river port.

May 7.—Japanese headquarters at Peiping admit well-organized Chinese guerilla bands now operating in North China. Total strength estimated at "15,000 Communists and 20,000 bandits."

May 7.—Some 500 Chinese staff members of Shanghai Maritime Customs start "go-slow" strike following announcement by the Nanking Reformed Government that it had taken control. Customs employes wired Hankow for instructions regarding action to be adopted.

May 7.—Father Frederic Fourre, French Catholic priest and five Franciscan sisters and two Chinese Christians reported killed April 29 by Japanese soldiers at Changlo, Shantung, according to information received by French Catholic circles in Shanghai. Previously reported by **Domei** that they were killed by members of Paoantai (Peace Preservation Corps organized by the Japanese) allegedly for hindering them in performance of duty was categorically denied. French authorities asserted that the six missionaries were killed because they attempted to prevent Japanese soldiers from molesting Chinese sisters taking refugee in their compound.

May 7.—Offices of the **Yung Pao**, Japanese army controlled Chinese language newspaper in Tientsin, bombed for 3rd time in recent weeks.

May 7.—Many Japanese cotton mills in Shanghai have resumed full operation; foreign plants, however, are handicapped by numerous restrictions, according to report in **The China Press.** Japanese Consul-General S. Hidaka declared in radio broadcast last night Shanghai industry was being rehabilitated through Japanese aid; Chinese industrial enterprises now "entrusted" to Japanese concerns for management.

May 7.—Note enumerating events in Sino-Japanese hostilities since October 27, 1937, presented to League of Nations by Victor Hoo, director of Office of Chinese Delegation to the League.

May 7.—Japan today is facing gravest crises in her history, Foreign Minister Koki Hirota told Japan International Society yesterday.

May 7.—Banknotes issued by 21 different Chinese and foreign banks now in circulation in Peiping. Currency situation growing more and more complicated.

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May 8.—Following repeated failures to break through Chinese lines in vicinity of Taierchwang, southern Shantung, the Japanese said to have changed their plans for drive toward Hsuchow and to be shifting westward for push through Tancheng sector. Meanwhile, Japanese also attempting to advance northward towards Hsuchow in two columns: one moving along southern sector of Tientsin-Pukow Railway and the other along northern Kiangsu coast, where they have captured Yenchen and Fuling.

May 8.—Chinese mobile columns on May 5 attacked Lukouchiao or Marco Polo Bridge, (scene where present hostilities first broke out last July) and Wanping city, southwest of Peiping, according to report received at Hankow. Another Chinese column said to have reached Fengtai, south of Peiping, on Peiping-Hankow Railway.

May 8.—Chinese staff members of Shanghai Customs decide to carry on duties pending receipt of instructions from Hankow as to what action is to be taken.

May 8.—Chinese Government has established 386 base hospitals, with accommodations for 200,000 wounded soldiers and has organized 100 epidemic-prevention units, according to Dr. Yen Fu-ching, Director of National Health Administration.

May 8.—The Japanese South Manchurian Railway made net profit of $50,000,000 during last fiscal year, according to **Yung Pao,** Tientsin.

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May 9.—Chinese military spokesman at Hankow, reviewing developments of past week, called attention to Japanese evacuation of south Shansi and massing of almost entire Japanese forces in China for the Hsuchow battle. Deadlock continued in Taierchwang area with neither Chinese nor Japanese able making any progress; menawhile, Japanese are advancing towards Hsuchow in five columns from different directions. Japanese troops in Tancheng sector reported encircled by Chinese who are moving towards Lingyi. Japanese pushing steadily towards Lunghai Railway from the south.

Chinese mobile units intensify activities in North China. One column operating in border regions of Shansi, Suiyuan and Chahar, after crossing Great Wall, attacked Changping, on Peiping-Suiyuan Railway, 22 miles northwest of Peiping. Another column attacking Yangliuchin, on Tientsin-Pukow Railway, nine miles west of Tientsin. Third column attacking Hsuanhua, 80 miles northeast of Peiping.

May 9.—Gen. Chiang Kai-shek, interviewed by Hankow correspondent of **London Times,** contradicted apprehensions that British interests in China might suffer by Chinese victory. Foreign investments, he said, were not only welcome but would be essential to China for many years to come.

May 9. Yang Wen-lung, revenue guard employed by Shanghai Maritime Customs, seized in front of Shanghai Customs building by five armed Japanese, and taken to Hongkew. Reason for Yang's abduction unstated. L. H. Lawford, Customs Commissioner, communicated with Japanese Consul-General, regarding the case, but was unable to secure Yang's release.

May 9.—Wang Keh-min, head of Peiping "Provisional" Government, after visiting Tokyo for a week departed from Japan for Peiping by way of Fukuoka and Tsingtao.

May 9.—May 9, 23rd anniversary of the National Humiliation Day when (in 1915) Yuan Shih-kai accepted Japan's 21 Demands, observed in Shanghai and many other cities.

"The Story of the Jacquinot Zone"

"The Story of the Jacquinot Zone," prepared under the auspices of the Nantao Area Supervisory Committee, tells a story, in humble terms, of a historically-great endeavor. It tells the story of a man, with the aid of a handful of conscientious workers, who saved a quarter of a million panic-stricken people from the misery and suffering of war. The man was Father Jacquinot de Besange, S.J., and the work was the creation of the Jacquinot Zone—a shelter for non-combatants in the midst of a war-ravaged city. It is a story which has few parallels in history.

The booklet, "The Story of the Jacquinot Zone," consists of 48 pages with an art cover, sewn with silk cord, size 11½ inches by 9 inches. It is profusely illustrated, and is a production worth much more than the $3 price. The proceeds from its sale will be devoted to alleviating the sufferings of Chinese refugees, and a continuance of the endeavor to aid the civilian population of Nantao. Booksellers (Chinese American Publishing Co., Kelly & Walsh) receive no commissions from its sale.

Hankow Control of Foreign Exchange Wanted

THE current exchange fluctuations have been caused more by unwarranted hysteria than by sound financial reasons, declared the *Wen Hui Pao*, recently. "Since the enforcement of the new currency policy on November 4, 1935, foreign exchange has been maintained at the fixed rate of 1s2y and 29y. But with the imposition of the exchange control regulations, there has been a high demand for foreign exchange and profiteers take this chance to reap selfish gains by selling and buying foreign currencies at high rates. Consequently, it caused fluctuations in foreign exchange. However, the present unpleasant situation,)observes the paper, is temporary and does not warrant undue apprehension in view of the stability of the Chinese currency. This is evidence by the fact that there has been no currency inflation drspite the current war. During last August and September, it has been estimated, the total of legal tender notes was $1,500,000,000, and up to the end of March this year, the total has reached $1,680,000,000, showing an increase of less than $200,000,000 in ten months. Furthermore, behind the notes issued, there are 60 per cent cash reserve and 40 per cent security reserve.

Another fact which illustrates the soundness of the Chinese currency, the paper points out, is that there has been of late a scramble for legal tender notes among Japanese banks here, which are said to have rejected Japanese money as medium for the exchange of the legal tender. The paper expresses the belief that the present manipulations on the exchange market will not achieve their purposes to a great extent, as evidenced by the fact on the day of the fall of Hsuchow, the exchange situated showed considerable imlrovement as compared with that in the previous days. It urges the public to face the situation with calm.

"Black Market" Responsible

Commenting on the same subject, the *Hwa Mei Chen Pao* declares that the current fluctuations in the exchange rate were largely caused by the operation of what has been popularly called "the black market. Since the imposition of the exchange control rulings," the paper points out, "the demands for foreign currency were naturally very high. But the government could not comply with all the demands, as some of them were considered illegtimate. To meet htese demands, the black market was set by speculators, thus causing the erratic feeling which now prevails in the exchange market." However, the paper observes, the present exchange fluctuations are by no means an indication of the devaluation of the Chinese money. They are only the effects of the black market.

"The stability of the legal tender," the paper believes," depends upon the support of the people. If we want to stabilize our national currency, we must not support the black market. We should not buy foreign exchange at this momwet, for when we buy one dollar's worth of foreign money, we will lose one dollar's worth of our financial strength. At this moment when Japan has been making all possible attempts to undermine our national currency," the paper warns, "we should not fall victims to their machinations." Concluding, the *Hwa Mei Chen Pao* urges that foreign exchange transactions be strictly controlled by the Government, as now practised in Japan, in order to overthrow the black market.

$30,000,000 Credits To Farmers

The Chinese Farmers' Bank has done much to improve China's rural economy and to relieve the sufferings of the Chinese farmers, according to a Chinese survey. Over $24,200,000 have been lent to farmers in fourteen different provinces in the country by the Farmers' Bank in the past few years. A sum of $6,000,000 was lent to farmers in Anhwei, $4,5000,00 to farmers in Honan, $3,300,000 to farmers in Fukien, $2,800,000 ot farmers in Hupeh, and $1,900,000 to farmers in Szechuan. In addition the Farmers' Bank advanced over $5,000,000 to farmers in the following provinces to relieve them from the sufferings of famine.

(1)	28 districts at the border of Honan, Hupeh and Anhwei	$ 500,000
(2)	16 districts in North Shensi	800,000
(3)	11 districts at the border of Hupeh, Hunan and Szechuan	200,000
(4)	11 districts in Kweichow Province	800,000
(5)	15 districts in Kansu Province	1,500,000
(6)	7 districts in Northwest Szechuan	300,000
(7)	Honan Province	200,000
(8)	Kiangsi Province	260,000
(9)	South Kiangsi	200,000
(10)	Fukien Province	150,000
(11)	Fenghua, Chekiang Province	100,000

Dr. Oong on Economic Development

Dr. Oong Wen-hou, Minister of Economics declared in Chungking last week that his Ministry is now trying to increase Iroduction in the country and develop exports to foreign countries. The Ministry is organizing co-operative societies for the farmers and extending large sums of money to them for the development of agriculture in the interior provinces. The Ministry is assisting the factory owners, who moved their plants from the coastal cities to the interior to resume operations and is planning to build new factories, so as to produce sufficient industrial goods to meet the demand of the people in the interior. Measures have also been taken to increase the production of the Chinese mines. Dr. Oong stressed the importance of export at the present time and declared that efforts are being madde to export Chinese goods to America, Australia and Europe, where the peoples organized recently anti-Japanese boycott movements. It is the plan of the Ministry to substitute the Japanese goods in these countries by Chinese goods, according to Dr. Oong.

Kiangsi Reconstruction Loan

In order to promote reconstruction, the Kiangsi Provincial Government has decided to issue a Kiangsi Reconstruction Loan (*Kiangsi Chien-Sheh Kung-Chai*) of $20,000,000. A set of regulation governing the issue and amortization of the loan has already been submitted to the Central Government for approval. The proceeds of the Loan will be used exclusively for purposes of reconstruction in Kiangsi province. The bonds will be issued in the denominations of $100, $1,000, and $10,000. Bearing interest at 6 per cent per annum, the loan will be completely redeemed in 15 years.

Cholera Breaks Out in Pootung

Cholera is raging throughout Pootung and native farmers are succumbing to the summer scourge, according to information brought to Shanghai last week by the foreign overseer of a factory on the Peninsula, Strictly prohibited from entering the country across the lines defined by the Japanese naval authorities, foreign employees of factories operating across the river declare that dying refugees literally crawl to the boundaries, marked by Japanese sentries, in supplication for relief. None can be given them, because the Japanese authorities have strictly prohibited all movement beyond the limits of foreign-owned property unless with a pass issued by Japanese Naval Headquarters.

Isolated by the Japanese naval and military regulations, the Chinese peasants in Pootung are reported to be in sore straits. Cholera, according to reliable reports, broke out in Pootung two week ago, and aided by a lack of good water, it has spread with appalling rapidity through the few villages left standing on the peninsula. It is feared that unless medical assistance reaches them promptly, most of the Chinese left in Pootung will be wiped out. While the Cholera threat so far has been confined to Pootung, the breath of the dread disease has already been felt in Shanghai, with two cases having been reported in refugee camps, and believed to have been imported from Pootung. Health authorities, *The China Press* was told last week, may be compelled to declare Pootung an epidemic area in order to prevent the spread of the disease, but in view of the fact that most of Shanghai's farm produce comes from that district in normal circumstances, such action will not be taken until it is absolutely necessary.

Squatters' Hut Clean-Up Urged

The necessity of cooperation of the police, the Public Works and Public Health Departments in an organized clean-up drive for the improvement of sanitary conditions in and around squatters' huts, has been emphazised by Dr. J. H. Jordan and several other high Council officials in a report submitted to the Council.

In the event of special accommodations for the squatters being provided, it was pointed out that consideration might be given to clearing the areas in the northern and western districts or converting existing hut colonies into organized refugee camps. The provision of drainage, ordure and refuse collection from a small number of large camps properly supervised, would be a comparatively simple matter, it was maintained, although this action would necessitate a slight increase in the Chinese personnel. Police officials, called in to discuss the matter, agreed with Dr. Jordon that squattes' huts could not now be abolished and offered police assistance in the inforcing of sanitary improvements.

The acting commissioner of Public Works stated that there are now 7000 huts in the western area of the Settlement and that a slight extra cost, which would have to be borne by the Council, was necessary to carry out the minimum health requirements.

Would Extend British Aviation Service to Shanghai

Capt. H. H. Balfour, recently appointed Under-Secretary of State for Air in the British Cabinet, stated on May 19 that consideration was being given to a proposal to extend the England-Hongkong air service to Shanghai. It was suggested that the British service be extended northward from Hongkong to encircle the China sea."

Prior to the outbreak of the Sino-Japanese war, the Shanghai-Hongkong-Canton air service was operated by China National Aviation Corporation, in which Pan-American Airways held a 45% interest. The service was suspended shortly after the outbreak of hostilities.

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Recall of German Advisers Presents Problem

WHILE this week General Chiang Kai-shek pondered the question of the detention of German military advisers to the Chinese government, German circles in Shanghai said there was no possibility of holding these men because the youngest son of the generalissimo, Chiang Wei-kuo, is at present serving as a lieutenant in a German infantry regiment, having been a military student in Berlin and taken part in the march into Austria. It is also pointed out that there are many high Chinese civil and military officers in Germany, so that it is unlikely the generalissimo would hold the recalled advisers against their will. All of the advisers hold personal contracts as instructors, though not in a military capacity, with General Chiang, but a few are employed by General Li Tsung-jen. The question, Hankow reports, has not been decided, and awaits General Chiang's final decision since, on legal grounds, the Chinese government can reject Germany's recent request for the recall of their advisers.

There are some 40 advisers of officer rank and about the same number of experts, German circles here declare, serving with the Chinese army. Some of them are in Li Tsung-jen's Nanning arsenal, and most have long contracts. There are five generals: Lieutenant-General von Falkenhausen, Major-General von Stretsius, Major-General Held, Major-General von Limdemann, and Major-General Gudevius. There is also a major, named Mayser. von Falkenhausen, chief of the German military advisers in China, on May 28 informed Chiang of Berlin's orders for the recall of the military experts. Meanwhile all the advisers were carrying on their routine work as usual and it was intimated in some circles that the men in many cases were reluctant to go. The entire question, however, depends on Generalissimo Chiang's decision whether he will cancel individual contracts with the German experts.

Press Comments

Hitler's order for the withdrawal of the military experts brought forth volumes of comment from the press. Said the *Shanghai Nippo*:

"It is understandable from a business point of view if Germany sells to China arms and munitions. But it is intolerable for Germany to allow her military experts to assist China to fight against Japan, one of the signatory powers of the triparti to Anti-Commitern Pact. One was forced to doubt the sincerity of Germany when reading reports to the effect that ten German military experts left Hongkong for Hankow in the early part of this year."

The *Wen Hui Pao* remarked:

"It is apparent that this step was taken by Germany under the pressure of Japan. Believing that the tactical successes of the Chinese armies at Taierchwang were completely due to the efforts of the German advisers, Japan compelled her ally, Germany, through diplomatic maneuvers, to recall the latter's military experts from China. This, only displays the simple-mindedness of the Japanese military, for they are completely oblivious of the fact that the services of the German advisors, though valuable, are not indisponsible. The success of the Chinese armies is largely due to the experiences they learned on the battlefield during the past ten months, and the posts vacated by the German advisers may be filled by Chinese experts. It is only an illusion on the part of the Japanese militarists that China's power of resistance would be weakened by the withdrawal of the German advisers."

The *Ta Mei Pao* noted:

"Contrary to the expectations of the Chinese people, Herr Hitler has finally ordered the German advisers with the Chinese armies to withdraw from China. According to information gathered by the United Press from Chinese circles, these German advisers may be transferred to Japan to assist the Japanese armies in their aggression campaign in China, as did the Italian advisers after they were recalled from this country. We can now clearly distinguish who are our friends and who are our enemies. China's friendship toward Germany has been illustrated by the increase of German imports in recent years. But what has German done in return? China's goodwill toward Germany has now been reciprocated by the latter's ungrateful acts in assisting our enemy in the present ruthless slaughter of the Chinese people."

The French Government has assented to the employment of French officers as advisers to the Nationalist Army, in the place of German counsellors, the *Yomiuri* reported. Negotiations are still in progress between the two Governments, the daily added. Conversations were also said to be on foot between Hankow and Moscow for an increased supply of war materials as well as for the employment of advisers.

Germans, Soviets Fight Together

John Gunther, writing in the *Japan Advertiser* under a Hankow dateline, found that "Not everything is totalitarian in this totalitarian world after all. Here in China," Gunther noted, "behind the lines in Hankow, you have the perplexing spectacle of Germans and Soviets fighting on the same side.

Ten thousand miles away, Reichsfuehrer Adolf Hitler and Mr. Josef Stalin, political and ideological enemies, are snapping at each other; here in Hankow, the heart of Chinese resistance against Japan, German advisers and Soviet pilots—even though they don't kiss in public—are co-operating.

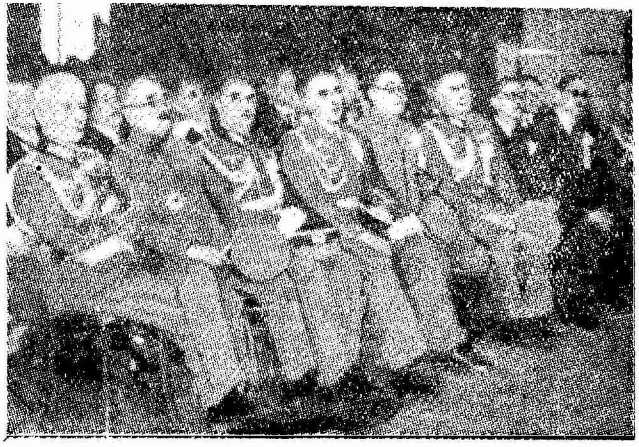
The German advisers are mostly retired officers of the Reichswehr who have been in China for some years as technical assistants to General Chiang Kai-shek. No one knows exactly how many are serving China; best estimates says between 40 and 60. There are also some German non-military experts, for instance engineers.

The military Germans, the most skilled type of professional officer, were originally imported by the Generalissimo as instructors. Their first chief was Colonel Max Bauer, who died of smallpox and was in time succeeded by General von Seeckt, a former Chief of Staff of the Reichswehr.

At present their leader is General Baron Alexander von Falkenhausen, a tall, slim officer with thick-lensed pince-nez, who looks like a professor and who is one of the most cool-headed strategists ever produced by the German high command. Another prominent German officer is Captain Walther Stinnes, who is head of General Chiang's bodyguard. Most of the Germans are known as "Ludendorff men"; that is, they were comrades-in-arms or students of the late General Erich Ludendorff, often called the greatest soldier produced by the World War.

The German advisers have risen steeply in importance in the last few months. At first, General Chiang wanted to fight his war against Japan in his own way; he listened to the Germans, but sometimes overruled them. Everyone in Hankow knows that the Germans wanted him to handle the defense of Shanghai differently, and that they did not advise a back-to-the-wall stand in Nanking. General Chiang lost Nanking. The Germans were proved right. Now he listens to them more carefully.

GERMAN ARMY DOCTORS IN JAPAN



The above is a picture, reproduced from the *Osaka Mainichi*, of the German Military Medical Mission, which recently arrived in Japan after being attached to the Japanese Army on the Shanghai and other fronts. Three of the German military medical men were assigned to the Japanese army in Manchukuo. The picture was taken while the German physicians were attending a medical congress in Tokyo.

General von Falkenhausen and his men are indispensable. A close-knit elite corps of superbly trained officers is at General Chiang's disposal.

Valuable in Training

Not only do they assist in matters of strategy and tactics; they train Chinese troops. No fewer than 500,000 Chinese soldiers have been reorganized into new divisions since January 1. German instructors did this job, even though there were not enough German officers for one to be attached to each individual division.

Naturally the Japanese have tried to exert pressure on Berlin—since Japan and Germany are allies in the anti-Comintern pact—to have the Germans recalled. But members of the Chinese high command knew that this would happen; they confidentially polled the German staff just before the war, asking each man what his attitude would be in the event of hostilities against Japan. Any who feared complications with Berlin and who wanted to quit were told they might freely do so. Ninety-eight per cent said that they would stay in China and remain loyal to their Chinese obligations.

As a matter of fact, the Germans perform the complex straddle of being pro-German but somewhat anti-Nazi. The brother of one officer was shot in the purge in June 1934. Another came to China straight from a German concentration camp.

A curious point is that direct contact between Hankow and Hongkong, which is vital to Chinese administration, is possible only by the airplanes of the Eurasia service, which is a partly German concern and which flies exclusively German planes with German pilots. The Eurasia planes make a Hankow-Hongkong shuttle five times a week. So far, the Japanese have not shot one down.

The Germans in Hankow, self-sufficient and homogeneous, live by themselves. They do not mix with foreigners much, or

(*Continued on page 40*)

Britain Finds War Really Exists in China

Judgment for the Bantham Steamship Company was given in the London High Court May 26 in an action in which the Kawasaki Kisen Kabushiki Kaisha, a Japanese shipping concern, sued the British company for cancelling the charter of the defendant's steamer Nailsea Meadow on the ground that the charter party permitted cancellation "if war breaks out involving Japan." The keypoint of the case was whether China and Japan were at war last September.

In delivering judgment Justice Goddard held that the word "war" in the charter party was used in a sense in which an ordinary commercial man might use it without going into the niceties of international law. The arbitrator, he added, was justified in finding that there was a state of war. Before the case reached the High Court an arbitrator had decided in favor of the Bantham Steamship Company, finding that a "full-dress war" was in progress in September, 1937, despite the fact that there was no declaration of war and that the Chinese and Japanese Ambassadors were not withdrawn. For this reason, subject to the finding of the Court, the arbitrator ruled that the Japanese charterers not entitled to recover damages.

Sir Stafford Cripps, appearing on behalf of the Japanese company in the High Court May 26, quoted the opinion of the British Foreign Office on the situation in China last September as being anomalous. The opinion of the Foreign Office at that time, counsel said, was that "H. M. Government is at present not prepared to say that, in their view, a state of war exists." Sir Stafford Cripps argued that such a question, involving an important question of policy, was for the Government, and not for judges, to decide.

Britain Would Approve China Credits

In the House of Commons May 26, Arthur Henderson, Labor member for the Kingswinford division of Staffordshire, asked what steps the Government was contemplating to implement the League resolution in regard to the needs of Chinese defense, and whether the Government would accede to a Chinese request for long term credits for defense. In reply R. A. Butler, Under-Secretary of State for Foreign Affairs, recalled the statement of Lord Halifax, the Foreign Secretary, before the League Council on May 14 that Great Britain had done her best, within the limits of the situation, fully to implement her obligations to China under the resolution.

"The Government," Butler asserted, "will give serious and sympathetic consideration to any request it may receive from China in conformity with the resolution." As far as he was aware, the Chinese Government had made no request for long-term credits specifically for defense. Butler repeated that, if the Chinese Government should find it possible to obtain long-term credits from British financial institutions, any request for the consent of the British Government to such operations would be sympathetically considered.

General Harbord Inspected Tazang Battlefield Here

General James G. Harbord, Chairman of the Board of Radio Corporation of America, who was in Shanghai on Sunday, May 29, made an inspection of the battlefield of Tazang, about 15 miles from Shanghai. Tazang was one of the crucial battles of the war on the Shanghai front last fall. Following his return to the city from an inspection of the Shanghai countryside, Gen. Harboard was the guest of honor at a reception and dinner at the French Club. There were some 60 guests, including local American consular and diplomatic officials and officers of the U. S. Marine Corps and their wives. George F. Shecklen, representative in China for R. C. A. was host.

General Harbord was a passenger on the Empress of Japan, homeward bound from a trip to Australia, Netherlands Indies and the Philippines.

Damaged Japanese Plane Discovered by Fisherman

A Japanese plane apparently shot down by the Chinese some time ago, has been discovered by a Chinese fisherman in the Yangtse River near Hsintienchow, Wuchang. The machine is reported to have been completely damaged. A machine-gun was found in the plane.

China Loses $200,000,000 Worth of Cotton

Only $300,000,000 worth of cotton is expected to be produced in China this year, while the total production in normal years is $500,000,000, according to well-informed cotton merchants. The loss of $200,000,000 worth of cotton this year is due to the fact that no cotton will be produced in Kiangsu and Chekiang Provinces, where the farmers have found it impossible to return to their farms.

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Hankow Says China Striving to Maintain Open Door

MESSAGES of congratulations and encouragement from American officials at Washington, Chinese officials at Hankow and heads of various trade bodies in the United States received here and read on the occasion of the Chinese-American foreign trade week banquet held May 27 at the American Club, are so numerous that they take up a large file in the archives of the local American Chamber of Commerce. In addition to those received from President Franklin D. Roosevelt and Secretary of State Cordell Hull, there are messages from Secretary of Commerce Daniel Roper; China's Minister of Economic Affairs Wong Wen-hao; K. P. Chen, Chairman of the Chinese Bankers' Association at Shanghai, and Tsuyee Pei, head of the Shanghai branch of the Bank of China. Without exception, every message voiced the hope for an early improvement in trade conditions in China.

One of the most pointed messages was signed by Tsu. He said: "I realize that Chinese-American trading operations at Shanghai under present conditions cannot be in a flourishing state. Nevertheless we admire the spirit which prompts you to celebrate foreign trade week, even under the discouraging and unpromising conditions which confront all business there. We regard the holding of an American foreign trade week celebration and banquet in Shanghai at this time, and your request for messages from us, as a significant manifestation of the proverbial American pioneering spirit and determination to carry on in China until more propitious conditions return. We here (in Hankow) have every expectation that the day is not far distant when China's foreign trade may be wholly re-established on a basis equitable for all and you may rest assured that China is doing all in her power to the end that America's principle of the Open Door of equal opportunity for all in China trade may again be completely realized on a permanent basis. We trust your influence may be directed toward bringing about a great measure of American co-operation in this objective."

Message From Roper

Said Secretary of Commerce Roper: "In accordance with established custom, I am most happy, on behalf of the Department of Commerce, again to send you greetings and felicitations upon the occasion of your gathering in celebration of National Foreign Trade Week. The whole-hearted co-operation of your organization in all matters tending to benefit the trade relations between this country and China are a source of deep gratification to this department."

Expressing Chinese administration for the fair-dealing of American business men, Minister or Economic Affairs Wong Wen-hao forwarded one of the most lengthy messages to be received by the local American Chamber of Commerce. He stated: "China and the United States of America are bound by a close friendship which is not only cemented by our common belief in democracy and a world order based on law, but also by the important exchange of goods which has been growing every year. Ever since 1932, the United States has held first place in China's foreign trade. This is the inevitable result of the cordial feeling and complementary needs between the two peoples on the two shores of the Pacific. It is the policy of the Chinese Government to encourage, to the fullest extent, foreign trade with friendly nation, sand we specially welcome increasing trade with the United States. Your modern technique, as well as your spirit of fair dealing, are admired by the Chinese people. We wish to keep our door entirely open to our friends for mutual benefit and for the progress of humanity. China is ready to co-operate with any country which is willing to have friendly relations with us. And we hope that the American people will tender us their sympathetic help in the development of our vast resources for the progress of the world."

"Aid in more concrete ways" is asked by K. P. Chen, Chairman of the Chinese Bankers' Association, in his message to the Chinese-American trade banquet. His communication, in full, follows: "On this occasion, in which you are celebrating American Foreign Trade Week, I take pleasure, as a member of the Chinese-American Trade Council, in extending greetings to the American members of the Council and to the members of your Chamber, and well wishes for an early return to conditions more promising for Chinese-American trade than those which have obtained in the past 10 months of war conditions. We appreciated American sympathy for China in the present struggle and hope that you and your business affiliations in the United States will not only continue to lend us your moral support but may extend aid in more concrete ways. In the hope that direct American-Chinese trade, as such, may soon be re-established on a firm and permanent footing under peaceful conditions to our mutual benefit, you have my very best wishes."

Cable From Arnold

Julean Arnold, American Commercial Attache, now in the United States, cabled his greetings. He said: "Greetings and hearty congratulations upon your enterprising spirit in celebrating Foreign Trade Week under the conditions obtaining. The nature and extent of American interest in our China trade organizations and problems is very encouraging."

Other messages of encouragement were received from Oscar G. Mayer, president of the Chicago Association of Commerce; H. M. Keyon, president of the Export Managers' Club of Chicago; George H. Davis, president of the Chamber of Commerce of the United States; Eugene Thomas, president of the U. S. National Foreign Trade Council, New York; Los Angeles Chamber of Commerce; the San Francisco Foreign Trade Association and Chamber of Commerce; A. M. Scott, president of the Portland, Oregon, Shipping Club.

Highlight of the conclusion of Shanghai's foreign trade week were addresses delivered by Dr. Y. Y. Tsu of St. John's University, and J. B. Powell, editor and publisher of *The China Weekly Review*.

Urges U.S. Protection

Concrete action by the United States to protect its investment and trade in China must in the final analysis originate from American businessmen in this country who are suffering staggering losses in the face of the onslaught of the Japanese military juggernaut, Powell told his audience. He called upon the American businessmen in Shanghai and other parts of China to assert themselves in order to protect their interests by making their voices heard in Washington.

Foreign investments in China, estimated to amount to about U.S. $3,500,000,000, have been reduced at least by one-fourth or U.S.$800,000,000 since the beginning of the hostilities, he revealed. American losses, he stated, have been estimated at $150,000,000 and British losses at double that amount. It is not necessary to explain, he said, that Japan's goal is to root foreign business out of the fertile Chinese soil and to replace it with the enterprises of Nippon. "One wonders why we sit here so complacently while the Japanese military juggernaut moves over the land, destroying our interests and businesses piecemeal. If it is true that American losses alone now total $150,000,000, it would seem to merit some action on our part here. It is very obvious that we could have a very definite influence upon the course of events if we asserted ourselves here and inform our law-makers at home what is going on."

Urges Messages

In order to make the voice of American businessmen in China heard in Washington, local U. S. organizations must express their viewpoints by resolutions, cables and letters, he continued. "We cannot expect our representative in Congress or administrative officials or even our chief executive to adopt intelligent policies for our welfare unless we take the initiative and tell them what we want."

Powell also outlined the recent trend of the American foreign trade policy. Surveying Secretary of State Cordell Hull's reciprocal trade program, he recalled that enthusiastic supporters of the policy hold that the program is the one answer to America's domestic and international problems. The Hull trade plans, the speaker pointed out, do not attempt to provide a solution for all difficulties, but they do stress the belief that through gradual reduction of trade barriers, a number of America's maladjustments may be removed without any drastic regimentation. Internationally, the Hull program aims to lessen the world economic tension which has contributed to the rise of dictatorship and now threatens to engulf nations in a new world war. Primarily, the objective of the new trade policy is to preserve the future of the so-called "American system." However, all observers agreed, Powell said, that the real test of the Hull policy is its ability to conclude arrangements with the industrialized countries of Europe which still consume the larger part of American exports.

The agreement with Great Britain, if it eventuates will be still more significant, having an undoubted effect on world economy. If this agreement is concluded satisfactorily, there will then remain the Fascist nations, Germany, Italy and Japan, the speaker pointed out. At the present time, there is a feeling in Washington that the trend toward a new world war cannot be checked unless the nations accept the principle of economic inter-dependence, he stated. From an international viewpoint, he continued, it is obvious that a nation placed in a leading position in the trade of the world like the United States has an obligation to assist the world back to normalcy and sanity.

John Morris of United Press Tells Newspapermen About the War

John Morris, manager of the *United Press* in the Far East, described the war situation at Shanghai to an audience of more than 300 Washington correspondents, on May 27. Mr. Morris is now in the United States on leave. His address was delivered at a luncheon at the Washington Press Club, the guests including Maxwell Hamilton, chief of the Division of Far Eastern Affairs and Stanley K. Hornbeck, Counsellor on Political Relations for the State Department. Mr. Morris praised the U.S. Marine Corps and diplomatic authorities for preserving the dignity of American interests. Following the talk there was an informal conference on Far Eastern developments.

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CHINA'S FINANCIAL PROGRESS

(*Continued from page 16*)

paid from salt revenue each June; (3) extra payments of interest coupons in arrears of the Crisp Loan of 1912, so as to clear these arrears at an early date; and (4) extra payments of arrears of principal of the Anglo-French and Crisp loans after interest arrears were paid. These measures affected about £13,000,000 principal amount of outstanding bonds.

Although civil wars, the depression and the slump in silver forced some delay in carrying out part of the program, it was on the whole a conspicuous success. By the end of 1934 all the program had been carried out except payment of the arrears of principal of the Crisp loan, and two instalments instead of one were being paid each year so that the loan would be entirely restored to schedule by 1940. These accomplishments are particularly noteworthy in a time of internal and external confusion, both economic and political, when defaults were increasing throughout most of the remainder of the world.

The next debts to be settled were those incurred by the Ministry of Communications for telegraph and telephone development. Virtually all such debts were settled in 1934-1935, after protracted negotiations. The chief creditors were Japanese concerns; British, American and German companies were owed lesser amounts. The total capital amount of these debt settlements is equivalent to about $55,000,000 Chinese currency.

Bond Settlements

Meanwhile, with the country settling down and with conditions of railway operation improving, the Ministry of Railways was in position to begin negotiations with holders of railway obligations. After settlements with a number of creditors who had supplied materials, negotiations were undertaken with representatives of holders of the chief railway bond issues that were in arrears. The first to be settled were the Tientsin-Pukow Railway Loans of 1908-1910, which enjoyed a contingent claim on customs as well as railway revenue, the outstanding principal being about £6,150,000. In order to facilitate these negotiations, the Bank of England appointed a special committee in London. After extended negotiations, the Ministers of Finance and Railways announced on February 25, 1936 the terms of an offer whose acceptance was recommended to holders by the committee. This offer may be summarized as follows: (1) interest to be 2½ per cent for 1936 1938 and 5 per cent (the contractual rate) thereafter; (2) principal to be repaid from 1940-1975 by applying increasing percentages of the gross earnings of the line; (3) interest arrears (including the 2½ per cent interest not paid during the 1936-1938 period) to be figured at 1 per cent per annum simple interest, for which amount non-interest-bearing scrip would be issued, payable from 1941-1960; and (4) payments to be made out of railway revenue, any deficiencies in the sums required for interest to be made up out of customs revenue. The railway enjoyed substantial and increasing earnings, having returned to a profitable state, and it was not anticipated that there would be any occasion to call on customs revenue.

The conclusion of this important settlement facilitated others. During 1936 and the first half of 1937 active negotiations took place, with the result that settlements of the greater part of the remaining debts in arrears were made. The following are among the more important settlements other than those already mentioned: the Vickers and Marconi sterling treasury notes of 1918-1919; the Chicago Bank and the Pacific Development Corporation loans of 1919; and bond issues of the Honan, Canton-Kowloon, Peiping-Hankow, Nanchang-Kiukiang, Lunghai and Hukuang railways. The principal foreign interests concerned in the various debt settlements were American, Belgian, British, Dutch, French, German and Japanese.

Altogether, debts in arrears aggregating in principal amount about $850,000,000, Chinese currency, or say U. S. $250,000,000, were settled. Among unsettled claims arising from loans there remained chiefly the so-called Skoda or ex-Austrian loans of 1912-1914, held by continental Europeans; the French Pukow Port Works loan of 1914; a number of Japanese claims, including the Tsingtao Treasury Note of 1922, the Japanese portion of the "96 million loan" of 1922, and the Nishihara loans of 1917-1918; and certain internal obligations (including floating debt) of the old Peking regime. The total principal amount of unsettled claims may be taken roughly as about 10 per cent of China's total debt. Otherwise stated, about two-thirds of the total of claims arising from loans had been settled, including nearbly all the amounts of pulicly issued bonds.

These notable settlements were made possible by the desire of the Chinese government to restore its credit, and by the willingness of creditors to make concessions. The burden of increased payments was tempered by a gradually rising schedule, paralleled gradually decreasing charges in favor of the older loans. China's total national debt (provincial and local debts are only about $200,000,000, Chinese currency) is small in relation to the country's potentialities and, apart from international complications, there was every reason to anticipate continued improvement in China's credit.

Prior to the recent outbreak of hostilities, quotations of Chinese external loans had attained a gratifying level. Several of the chief loans were quoted in the London market near or above par to yield less than 5 per cent per annum. These quotations were nearly double those ruling ten years previously. Also the quotations of internel bonds at Shanghai were steadily improving, although not yet satisfactory. The carrying-out of the reform of the Central Bank of China and other contemplated measures, together with the general improvement in the situation, would have permitted the quotations of these loans in the relatively near future to attain to a reasonably satisfactory level. This would have materially reduced the cost of government financing.

The success of loan negotiations conducted by Minister Kung in the spring and summer of 1937 indicated that at last foreign capital would be available on an important scale to finance economic developments in China. But the vista of progress thus being opened up was unhappily marred by the outbreak of hostilities.

Conclusion

The ten years prior to June 1937, a brief period in the life of a nation, had seen in China a transformation with few parallels in history. In 1927 the internal situation was chaotic. The country was torn by civil war and ravaged by banditry. There was no central authority to speak for the country. Railways were disrupted and largely in the hands of warlords. Roads and airways were disrupted and largely in the hands of warlords. Road- and airways were almost non-existent. There was no uniformity of currency no decimal monetary system. Mediaeval fiscal practices were the general rule, with only the rudiments of a system of modern financial administration. The government could not strengthen itself because of inadequacy of revenue sources, and could not develop adequate revenues because of lack of authority. Internationally, China was viewed as a liability and numerous schemes were proposed for dealing with the "problem of China" and for accomplishing measures of reconstruction.

The success of the Nationalist movement broke the vicious circle and opened the way for the soundest type of reconstruction —a building-up based primarily on China's own efforts. These ten years have seen the spread of the Central Government's authority to all parts of the country. Warlords have been defeated, have thrown in their hands or have become loyal members of the government. Although communism had not been entirely eliminated, it had ceased to be a factor of first importance by the middle of 1937. Banditry was being gradually exterminated. The railway system was restored and its administration improved, new lines were built, and a comprehensive scheme of development was being carried out. Air lines covered in hours distances previously requiring days or weeks. Currency reform had become a reality instead of an aspiration. Adequate public revenues and a modern system of financial administration were being developed. The reforms of the past ten years bear comparison with the financial measures adopted in the early days of the American Republic.

On the whole, China's progress had acquired a momentum that was remaking the country and carrying it along in spite of difficulties. China was becoming a stronger factor in the world situation, and potentially a notable addition to the stabilizing forces in a period of extreme world-wide difficulty. In this situation came the Japanese seizure of Peiping and Tientsin and the hostilities following the despatch of the Japanese fleet to Shanghai. The full results of these measures of aggression are for time to show. There can be no doubt, however, that the interruption of China's progress in self-development is one of the great tragedies of history.

(*The following paragraphs, constituting a brief summary of China's financial condition in recent months, have been added to Mr. Young's report by T. A. Bisson, of the Foreign Policy Association research staff.*)

China's finances have stood up remarkably well under the strain imposed by the hostilities which began in July 1937. Customs collections for 1937, as a result of favorable trade conditions during the first seven months, aggregated 342.9 million dollars, Chinese currency.[6] This was the largest revenue collection from China's maritime customs in the country's history, with the single exception of the year 1931. Chinese foreign loan and indemnity bonds, as well as internal loan issues, have been regularly serviced. In 1937 these payments totalled 214.7 million dollars, Chinese currency, of which 85.6 million was for interest and principal on foreign-held bonds and 129.1 million on internal issues. After meeting these obligations, the Chinese government had at its disposal the net balance of 128.2 million from customs revenue. This, also, was the highest such figure in recent years.

Extensive year-end surveys of China's financial status, conducted by European and American experts, maintain a guarded optimism.[7] During 1937, it was estimated, the Chinese government had expended somewhat over 100 million dollars, American currency, for munitions and war supplies. On January 1, 1938 ordered but not yet delivered. On the same date cash reserves of the Chinese government held abroad, principally in New York and London, were estimated at roughly 300 million U. S. dollars. The reported summary of the experts' observations concluded: "Were it not for the necessity of keeping intact a large slice of this fund to act as a reserve back of Chinese national currency, China's

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[6] *For these figures, cf. summary of financial statement by Dr. H. H. Kung, Chinese Finance Minister, in The Oriental Economist (Tokyo), February 1938, p. 74.*

[7] *New York Times, February 20, 1938.*

Who's Who in China

Kai-yin Wu, Government official; born at Canton, November 21, 1890; educated in Canton Christian College Middle School; entered University of Michigan, U. S. A. Sept., 1910, obtaining B.A. degree, June, 1914; took post-graduate work in Columbia University, N. Y. 1914-15; after returning to China was for two years instructor at Lingnan University, Canton; then professor of Economics and Dean of the College of Business Administration, same University; joined the revolutionary movement 1918 and became Secretary in Foreign Affairs Department of the Generalissimo's Headquarters; twice Director of the Bureau of Land, Canton Municipal Government; Director of the Canton-Siukwan Section of Canton-Hankow Railway; Director of the Finance Department, Ministry of Railways, concurrently in charge of affairs of the Nanking-Shanghai & Shanghai-Hangchow-Ningpo Railways; transferred to Canton 1931 as Chief Auditor of Canton-Shiukwan, Shiukwan-Chuchow and Canton-Kwoloon Railways; Commissioner of Reconstruction, Kwangtung Provincial Government, 1932, member of the Kwangtung Provincial Government and concurrently member of the Board of River Conservancy in Kwangtung, 1932-36; now auditor in the Ministry of Audits; Control Yuan; address: Ministry of Audits, Control Yuan, National Government, Chungking.

胡繼賢

Kai-yin Wu (Hu Chi-hsien)

financial poistion would indeed be bright, despite nearly six months of devastating war on her own soil."

The fiscal reforms effected by the National Government in recent years, it seems clear, have proved their soundness under a seacrhing test. Chinese currency, in the face of war conditions, has been maintained at a stable level. Resources for the purchase of munitions are still available. Customs collections during 1938, as the result of Japanese control of port cities such as Shanghai. Tientsin and Tsingtao, will sharply contract—a factor which will probably force the declaration of a moratorium on external and internal loan payments. It is understood that such a moratorium is now under contemplation, and will be applied to payments on principal but not on interest. The application of this emergency measure should relieve the immediate strain on China's finances For the near future, at least, there seems no reason to believe that China's military resistance will collapse for lack of financial resources.

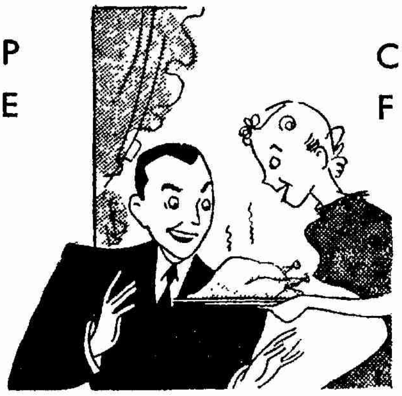
Bert Hall Awarded Judgment in China Aircraft Deal

W. B. "Bert" Hall, aviator, gun-runner and adventurer, was awarded full judgment on a suit for $40,000 against the Douglas Aircraft Corporation, according to a *United Press* report from Los Angeles, Cal., on May 27. The judgment was given by a Superior Court Jury, after a half-hour of deliberation. Hall claimed he had helped negotiate a deal for the sale of 20 bombers to the Chinese Government 8 years ago. He claimed to have been an adviser to the National Government at the time. According to the report Hall is now technical adviser to a moving picture company which is producing "Shanghai Deadline," a novel written by La Selle Gilman, Shanghai newspaperman on the staff of the *Evening Post.*

Hall served a term of two and a half years for defrauding a Chinese general in an arms deal in North China about six years ago. After his release, he instituted suit against another airplane company for commissions allegedly due him, but lost the case.

Edgar Ansel Mowrer of Chicago Daily News in Hankow

Edgar Scott Mowrer, member of the foreign staff of *Chicago Daily News*, arrived in Hankow on May 27, and after a few days there planned to proceed to the Lunghai railway front for a personal inspection of conditions. Mr. Mowrer is on leave of of absence from his paper and is serving as representative of the International Peace Union. Mr. Mowrer was received, upon his arrival at Hankow by Shao Li-tzu, former director of the publicity department of Central Party Headquarters, and by Hollington K. Tong, vice-director of the Central Party Publicity Department.



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SIMPLE

CLEAN
FAST

FOOD THAT'S
REALLY
DELICIOUS
IS
COOKED ON
MODERN
ELECTRIC
COOKERS

FOR RENT
AT THE

SHANGHAI POWER COMPANY

In the United States Court for China

In re.	Cause No. 4317
Last Will and Testament	Special Proceedings No. 2196.
of	NOTICE
MARY B. HOY	
Deceased	

Pursuant to an Order of said Court notice is hereby given to all persons having claims against the estate of Mary B. Hoy, deceased, to present the same with vouchers to the undersigned on or before December 18th, 1938, and all persons owing debts to said deceased are hereby notified to make payments of the same in due course to the undersigned.

Gertrude B. Hoy—Executrix
c/o Ziemer Memorial Girls' School
Yochow, Hunan.

May 23, 1938.
Shanghai, China.

Men and Events

E. A. Cavaliesi, an Italian subject, who has served as Postal Commissioner at Chengtu, Szechuen, has been transferred to Kaifeng, Honan.

Lt.-Col. Joseph Stilwell, Military Attache, connected with the American Embassy in Peiping, but now stationed in Hankow, was in Shanghai this week on a trip to Peiping.

Hsu Tai, assistant director of Company 818, Chinese Boy Scouts, disappeared from his home on May 9 and has not been heard from since. He did much in assisting the Chinese forces in carrying supplies and first-aid materials in the Shanghai hostilities.

Mrs. Annie Louise Clifton, widow of the late Frederick Clifton of the Shanghai Waterworks Company, died in Tsingtao on May 27, at the home of her daughter, Mrs. E. R. Hykes of the Standard-Vacuum Company. Mrs. Clifton's death was due to heart trouble. She was 76 years of age.

Three Japanese, S. Shibata, N. Nakamura and T. Ikeda, arrested sometime ago for the theft of $500 worth of cotton from a warehouse in the Hongkew section, are now held in the local Japanese consular jail. It was alleged that the cotton was sold to a Chinese resident of the French Concession.

Stanley F. Wright, former British commissioner of Customs at Shanghai and other Chinese ports, departed from Shanghai this week for England. He was accompanied by Mrs. Wright and they plan to reside in England in future. Mr. Wright joined the Chinese Customs Administration in 1903.

The Japanese authorities made strong representations to the Siamese Government on May 27 as a result of the killing of a Formosan, by a mob of Chinese at Bangkok. The Formosan, named Wong, was stabbed to death. The Japanese demanded that adequate protection be given to Japanese subjects.

Tseu Chang-hai, aged 25, was sentenced in the First Special District Court on May 26 to three months in jail for stealing the locks off the Soviet Consular building, located at 20 Whangpoo Road, in the Hongkew section. He testified in Court that he was collecting scrap-iron for the Japanese.

D. A. Walker, export manager of Wm. R. Warner and Company and Richard Hudnut, New York, arrived in Shanghai this week. He was accompanied by Mrs. Walker and by J. S. Clark, who is assistant manager of Walker-Hudnut Co., in the Far East. F. C. Cleary, Shanghai manager of the company is now in New York.

Some 40 Chinese women, including delegates of women's organizations from various parts of the country, who met in Kuling last week, returned to Hankow on May 28. They were accompanied by Madame Chiang Kai-shek. The object of the Kuling conference was to discuss methods for widening the scope of women's activities in the war.

Mr. and Mrs. H. A. Wilbur of the National Committee of the Y.M.C.A., who are retiring from China this month, were honored at a farewell reception on Saturday evening, May 28 at the Shanghai Y.M.C.A. More than 100 officers and members of boards of various branches of the organization in Shanghai were hosts at the reception.

H. E. Gibson delivered a lecture on May 26 at the hall of the Royal Asiatic Society, in Shanghai, on the subject, "Evolution of Chinese Characters from Shang Dynasty Pictographs." The lecture, illustrated by lantern slides, showed how present-day Chinese characters were evolved from the picture-symbols originated in the Shang Dynasty, which extended from 1788 to 1122 B. C.

A Japanese police constable, connected with the police department of the International Settlement, was seriously injured when his car was struck on the Szechuen Road bridge by a Japanese military truck. He was driving across the bridge when his car was struck from behind and completely smashed. The constable suffered concussion of the brain and was not expected to live. The accident occurred on Monday afternoon, May 30.

The Canadian Club of Shanghai held its annual meeting at the Masonic Hall, Avenue Road on Thursday evening, May 26. Major P. R. M. Wallis presided. The following members were elected to serve on the committee for the coming year: Captain A. R. St. Louis, C. W. Gordon, R. D. Ralfe, L. Day, R. Corbett, J. S. Gregor, F. Sullivan, J. J. Evans, F. A. McQueen and Mrs. L. Stokes, the Misses McGeachie and M. H. Brown. Ex-officio members are, Major P. M. R. Wallis, Past President, the Very Rev. A. C. S. Trivett, Almoner, and M. T. Stewart, Canadian Trade Commissioner, C. E. Ross, Secretary for the past two years, who has retired, was thanked for his services.

The Chinese Y.M.C.A. initiated, beginning on Monday evening of this week, a series of theological studies of special interest to Christian workers in Shanghai. The series of lectures, which were arranged by C. Z. Lo, director of religious education were as follows: Christianity and Chinese Civilization, by Dr. P. C. Hsu, Professor of Shanghai University; The Early and Modern Christian Church, by C. Y. Cheng, Professor of Nanking Theological Seminary; Christianity and Modern Science, by Dr. Y. C. Tu, Professor of Shanghai University; Evolution of Christian Thought, by Dr. T. T. Lew, Professor of Yenching University; Meaning of Religious Experiences, by Dr. Lanten Lee, Dean of Nanking Theological Seminary

Dr. H. B. Almstead, member of the faculty of the University of Missouri, accompanied by Mrs. Almstead, is making a tour of Japan.

Michael Slavutsky, Soviet Ambassador in Japan, will shortly return to Moscow, according to a report in the *Asabi Shimbun* on May 25 which stated that the Soviet Ambassador had been in ill health for several months. He is scheduled to depart from Japan on June 6.

H. N Starling, who served 31 years in the public health department of the Municipal Council of the International Settlement, was presented with a silver tea and coffee set by the staff of the department, upon his retirement from the service last week. The presentation was made by Dr. J. H. Jordan, Commissioner of Public Health.

U. S. labor unions protested against the admission of Japanese carpenters in the United States for the purpose of construcing Japanese buildings at the International Exposition, scheduled to be held in New York next year. The Japanese Government had intended to build its exhibit with Japanese labor, but owing to the labor union protest, it will be necessary to have American carpenters do the job.

The Ministry of Judicial Administration at Hankow has transferred Judge Chen Shih-ving of the Criminal Division of the Second Special District Court at Shanghai, to a similar post in the Higher Court of Fukien province, according to a report in the Chinese papers. Judge Chen's place here will be taken by Judge Chang Ming-sheng of the Division for Simple Cases, whose place, in turn, will be taken by Wu Keh-cho.

Wang Hai-king, delegate from the Chinese League of Nations Union to the International Peace Congress, which met in Tours France on May 26, advocated a general boycott of Japanese merchandise as a means of ending the Japanese invasion of China. He urged democratic countries to cease shipping war materials to Japan. The Japanese, according to Mr. Wang, have violated all principles of humanity and international law.

Dr. Lee S. Huizenga, connected with the Mission to Lepers, delivered a lecture on Wednesday, May 25, dealing with a recent visit of investigation which he made to Egypt and Palestine. Dr. Huizenga attended the Fourth International Leprosy Conference at Cairo in March. Dr. C. L. Wang, head of the Shanghai Leprosarium, presided. It was reported that a special study is being made of a new serum-therapy for leprosy which was developed by a Prof. Reeustierua and used with good results s in South America.

Miss Mary Frances Turner, niece of the Misses Ethel and Alice Allen, members of the family of the late Dr. Young Allen, was married on Friday, May 20 to Leonard Everett, son on the late Leonard Everett, well known American shipping man of Shanghai. Mr. Everett is connected with the General Electric Company. The couple was married at St. John's Cathedral, Hongkong, the Rev. J. L. Wilson, officating. Following the ceremony the couple departed for Manila on their honeymoon. They will reside in Hongkong.

J. R. Moffett, 30 years of age, who was born of American missionary parents in Soochow, was a victim in an air disaster near Cleveland, Ohio, on May 25. Ten persons were killed when the plane dropped in flames as it was planning to land at the airfield. Mr. Moffett, who until recently was representative in the Far East for the Armstrong Cork and Linoleum Company, had returned to America to join the Masonite Company. Mr. Moffett's brother, Dr. Alex Moffett is a resident of Shanghai. Mrs. Moffett, was at Carmel, Cal. at the time of her husband's death.

Serious fears were espressed last week regarding the welfare of Miss Iris Wilkinson, New Zealand journalist, who has been missing since the fall of Hsuchow to the Japanese forces. Miss Wilkinson apparently remained in the city after the evacuation of the other Chinese and foreign journalists, who departed shortly before the evacuation of the Chinese troops. According to a report from Hankow on May 26 it was thought she might have remained in the city with a number of foreign missionaries who stayed to look after Chinese refugees. Two correspondents with the *Tass* agency who were in Hsuchow, were reported to have departed with Gen. Li Tsung-jen and are now safe at his headquarters in Honan.

Frederick Snite, Jr., the "man in the iron lung," has returned to Chicago from Florida where he has been for several months receiving special treatment. On March 31, when Frederick had been in the respirator two years, his parents staged a boxing entertainment which was attended by nearly 1,000 persons. Upon young Snite's suggestion the hat was passed round for contributions to Chinese relief. The collection amounted to U.S.$750.00 which the elder Snite raised to a full $1,000. Of this sum $500 was sent to the welfare department of P. U. M. C. $250 to the orphanage at Jen-Tzu-Tang at Peiping and $250 to the Sisters of Immaculate Conception at the Shanghai General Hospital. According to a letter from the elder Snite to a friend in Shanghai, Frederick showed some improvement from his Florida trip.

C. H. Gonda, architect, of Hungarian nationality, was charged in the Chinese District Court with failure to carry out an agreement entered into with Mrs. Z. Suttrele, an American citizen. Mrs. Suttrele claimed she had paid Mr. Gonda $550 to installsteam heaters in her house at Tsingtao, which is yet to be built. She stated that Mr. Gonda had induced her to make a contract with Gordon and Company for the purchase of the radiators. Later, when she decided not to build the house she requested the return of her money, but without success.

O. G. Steen of the Dollar Steamship Lines, who is now in San Francisco, has written friends in Shanghai that he and Mrs. Steen are planning to return to Shanghai shortly. No mention was made by Mr. Steen of the possibility of suspending the service of the American Mail Line of President steamers operating from Seattle to Oriental ports. According to the *United Press* (May 28) there was a possibility of suspending service in the event the Government failed so renew the mail subsidy. There also was a suggestion that a new company might be formed to start a new line if the subsidy was suspended.

Post Wheeler, former Counsellor of the American Embassy in Tokyo, is the author of a book shortly to be published in the United States, entitled "Hodanzo, the Ten Thousand Jewel Storehouse of Nippon." Mr. Wheeler wrote a letter to the Japanese International Culture Bureau of Tokyo, requesting that the society subsidize the book to the extent of $15,000 in U. S. currency. The Japanese declined to subsidize the book but agreed to supply the American publishing house, Dodd, Mead and Company, with color prints gratis, which, ordinarily would cost U. S. $8,000. The Japanese made the same offer to the English publishing house, William Heineman and Comany.

Wilkinson Case Reported Settled

A satisfactory settlement was reached last week between the British and Japansee authorities at Shanghai in regard to the case in which E. S. Wilkinson became involved with Japanese sentries near the Hungjao Road crossing on the Shanghai-Hangchow Railway, May 13. A suitable letter has been received by Herbert Phillips, His Majesty's Consul-General, from S. Hidaka, the Japanese Consul-General here, it was stated. This letter, while pointing out that Wilkinson unfortunately entered an area occupied by the Japanese Forces by a passage other than those opened to traffic and that in taking Wilkinson to the headquarters of the local unit for examination, the sentries were acting in discharge of their assigned duty, yet, none-the-less. Hidaka wished to express his sincere regrets for the fact that Wilkinson suffered such a trying experience.

Hidaka stated that a full investigation has been held by the Japanese military authorities who have taken the most appropriate steps to secure redress for Wilkinson. The Japanese Consul-General added that a set of new precautionary measures are now being taken by the Japanese military authorities ot prevent the recurrence of such cases. Hidaka also asked that the attention of British subjects should be drawn to the danger and complications which may arise from entering the area occupied by Japanese forces except by way of the passages open to traffic and of failure to pay attention to the warnings of sentries.

It is understood that Wilkinson has expressed his satisfaction with the contents of the letter and has intimated that he does not wish to raise the question of compensation. Wilkinson, a noted naturalist, was seized and held by Japanese military men, while studying birds in the Hungjao area and was held for 11 hours before being released. He sustained a bayonet wound in the back and also was struck across the face, according to his report of the incident.

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In the United States Court for China

CAMILLA ABBOTT,
Plaintiff,
vs.
ANDREW ABBOTT,
Defendant.

Cause No. 4329
Civil No. 2208
ORDER
Filed at Shanghai, China,
May 16, 1938.
William T. Collins,
Clerk.

The object of this suit is an action for divorce

WHEREAS, plaintiff herein, by her attorneys, has this 16th day of May, 1938, made application for the substitution of publication for personal service upon the defendant herein; and

WHEREAS, it appears from the files in this case that on the 16th day of May, 1938, the summons for defendant was returned by the United States Marshal for China with the following noted thereon: "Defendant cannot be found within the jurisdiction of this Court"; and

WHEREAS, it appears from the files in this case that on the 16th day of May, 1938, the plaintiff herein filed an affidavit to the effect that the defendant does not now reside in China, nor has he resided therein for the past 3 years, and that defendant's last known address was c/o Mrs. C. Smith, 1233 East 12th Avenue, Emporia, Kansas, U.S.A.

NOW, THEREFORE, it is this 16th day of May, 1938, ORDERED that service upon the defendant be made by publication once a week for three consecutive weeks in the China Weekly Review, a paper of general circulation most likely to reach the defendant.

IT IS FURTHER ORDERED that the defendant cause his appearance to be entered herein on or before the fortieth day, exclusive of Sundays and legal holidays, occurring after the 4th day of June, 1938, the day of last publication of this Order; otherwise the case will be proceeded with as in case of default.

BY THE COURT:

Dated at Shanghai, China,
this 16 day of May, 1938.

MILTON J. HELMICK
Judge.

New Books of Interest in the Far East

Prince Saionji

The Last Genro, by Bunji Omura, J. B. Lippincott Company, Philadelphia. $3.50. 1938. 442 pp.

In a Japan ruled by saber-rattlers, Prince Kimmochi Saionji is an intriguing figure. Bent with age (he is 88); living in a small village a 100 miles from Tokyo; possessing no official title and holding no office, he still apparently wields greater influence over the destinies of his country than any other individual. He shuns the limelight, yet he is constantly basking in it. He preaches no doctrine, yet the number of his disciples (among them Premier Prince Konoye) is legion. He pleads that like Will Rogers all he knows is what he reads in the newspapers ; and yet, whenever Japan faces a crisis, it is to his wise judgment that the Emperor and the Government appeal for guidance. Only a fortnight ago, when Prince Konoye contemplated resignation and Japan was faced with the cheerless prospect of having an undisguised Fascist Government, a special emissary was sent to Prince Saionji by the Premier to seek his counsel.

Ostensibly, Prince Saionji wields all that influence because he is the only survivor of that group of Elder Statesmen who helped to mould modern Japan between 1890 and 1910. Actually, he is important because he has become a symbol of conservatism and sanity in a nation gripped by the lust of imperialism and guided towards more and bigger wars by a coalition of munitions makers and Army generals. To Japan, as well as to the world at large, Saionji has become a symbol of peaceful progress, of universal amity, of international intercourse across a conference table rather than a battlefield. Being close to the Emperor, Saionji is still able to keep the dogs of war somewhat restrained. When he dies, the elements of peace will find it difficult to replace him by another man-symbol.

Bunji Omura, now a student at Columbia University, set before himself the goal of presenting Prince Saionji to the western world through the medium of fictionalized biography. The book he has produced is entertaining through most of its 420 pages, revealing in some of them. As a whole, however, this reviewer is reluctantly compelled to turn his thumb down.

Despite its inordinate length, the book fails to give a clear picture of Prince Saionji as a man, a statesman or a symbol. One plods through two thirds of the biography before even finding a suggestion of the Genro's political views. What ideals guided Prince Saionji through his political life ? The biographer does not answer this question. What was the statesman's contribution to his nation's history ? There is no answer. What did he do during his long tenure of office ? What was his political philosophy ? Why does he exert such an influence upon the political destinies of Japan ? What advice, and on what occasions, had he given the three Emperors he had served ? None of these important queries receives consideration from the author.

Page after page, Prince Saionji engages in interminable, empty conversations on topics ranging from women to politics in China. Not once does he express adequately his views on any problem of import. If one is to judge by this biography, Prince Saionji's life was a long succession of dull conversations, flavored with barrels of *sake*.

For some unaccountable reason, Mr. Omura has chosen dialogue as the method of writing. He shuns descriptive passages to such an extent that time after time his heroes are compelled to explain to each other incredible trivialities, for no other reason than to acquaint the western reader with the intricacies of Japanese coiffure, rickshaws, and the arrangement of rooms in a typical Japanese house.

Another disconcerting habit is the substitution of 'huh' for yes. In a typical page, the reviewer found that out of 20 paragraphs nine began with 'huh.'

If the reader seeks exhaustive information on Prince Saionji, he will not find it in this book. If he is abroad for a fairly interesting story of Japanese life, the last Genro is fully recommended.

M.

Geopolitik

Haushofer, Karl—Geopolitik des Pazifischen Ozeans. pp 337. Third enlarged edition. Kurt Vowinckel, Heidelberg and Berlin. 1938.

German scholars have long emphasized geographical studies as a basis for political science. English speaking people are familiar with the expression "political geography." To indicate that political science is the object of such geographical studies these German scholars use the term "Geopolitik," i.e., geographical politics.

Professor Haushofer has written numerous books and articles in this field and is the editor of the magazine "Geopolitik." The Pacific Ocean area is Professor Haushofer's specialty and in the work under review he has given the world his masterpiece.

Geographical data descriptive of the Pacific area, its coasts, islands, climates and peoples, are skilfully interwoven with historical, sociological and political facts.

Only a few of the author's generalizations can be cited here to indicate the nature of his views. The ancient and mediaeval world centered in the Mediterranian, the modern world in the Atlantic, but during the past century the Pacific has become increasingly important in world affairs and especially in recent years.

Of the many island peoples in the Pacific Ocean, only the Japanese have developed a powerful modern state. The history of Japan is one of alternating periods of quiescence and activity, of isolation and expansion. During a quarter millenium of isolation the population of Japan remained stationary around 30,000,000. Since the reopening of Japan this figure has been more than doubled.

The coming of the white man into the Pacific has had various effects upon the native populations, in some cases stimulating and in others degenerating. Of greater interest to the majority of readers however is the question of the strategic position of the Western Great Powers in the Pacific area. The author views the World War and the exclusion of Germany from the Pacific as having seriously weakened the position of the Western Powers. They have to operate at a great distance and in the presence of a rising tide of Oriental nationalism.

What Europe calls the yellow peril Asia calls the white peril, but it is only in economic competition that either party may be seriously threatened in in its own sphere. Neither in power politics nor in culture politics can either side endanger the other in its home area.

A valuable feature of the book is an extensive bibliography with comments on each work cited. The index is well done.

V. H.

Amoy Evacuating Refugees to Cities in South China

In an attempt to ease the congestion in the Kulangsu area, relief authorities in Amoy have made arrangements for evacuating large groups of refugees to other South China ports, information received here fortnight ago revealed. The message stated that refugee parties numbering as many as 1,000 people, are being sent away in foreign-owned ships which call at Amoy. As result of this movement of refugees, Amoy authorities are hoping that the serious question of congestion, health and lack of food, which confronted them as a result of the influx of some 70,000 refugees, would be considerably improved. At the same time, the general situation in Amoy, according to information received here by local relief officials, is also stated to be calmer. The problem of food and medical supplies, however, is still difficult to meet because of the lack of facilities.

Manila Red Cross officials, who are now doing the major portion of the Amoy relief work, have received insistent appeals daily from the South China city for nurses, doctors, and medical supplies. These appeals, however, have not yet been met because only Filipino doctors are available in Manila. A message has been sent to Washington in an attempt to secure permission for a Filipino medical unit to proceed to Amoy. The Manila relief authorities are also facing the question of financing a medical unit, which, they say, could be equipped in 24 hours if money is available. Chinese resident of Manila, most of whom were formerly from the surrounding areas of Amoy, have already contributed 26,000 pesos and are responding generously to the appeal made by President Franklin D. Roosevelt on behalf of the American Red Cross.

Mr. C. E. Foster, manager of the Manila Red Cross, declared last week that 2,500 bags of rice, each weighing 107 kilos, left Hongkong aboard a coastal steamer bound for Amoy. The rice was recently purchased in Hongkong with funds raised by the local Chinese relief committee, which is co-operating with the Philippine Red Cross in drawing up measures for the relief of the 70,000 Chinese refugees in Kualngsu. The rice was despatched in response to a message sent from Amoy on May 20 requesting shipments of rice. A further message indicated that the supply of rice at Kulangsu was practically exhausted.

Manchukuo Taking Over Soya Bean Trade from Foreigners

The soya bean export trade of "Manchukuo," one of the few trades in "Manchukuo" still to be largely controlled by foreign interests, is shortly to be taken over and put under state control. The foreign interests concerned are seriously perturbed at the new step and fear that what little trade is still left them will be completely eliminated, once the state control starts working. Soya beans, which are used as foodstuffs, fertilizers and an industrial raw material for soap, candles, paints varnishes, plastics and even rayon, are the biggest item in the export trade of the country. "Manchukuo" produces 75 per cent of the world's output of soya beans. The government believes that by controlling the entire distribution of this product, it can increase the country's export trade. It is not yet clear how this governmental control will offect foreign exporters, but it is generally feared that the government will argue that the exporters' methods of distribution run counter to the best interests of the export trade and decide on these grounds to eliminate them and their profits altogether.

JAPAN INDUSTRIALISTS ALARMED AS EXPORT TRADE NEARS COLLAPSE

(*Continued from page 22*)

Deposit Bureau alone. In the sale of the remainder, banks participated by 52%, insurance trust companies by some 30%, and individuals only 18%. But if Yen 450 million the monthly average in authorized new bond issues is probably higher than the actual need for loan issues in Japan, the monthly issue of only Yen 240 million since January, 1938, is then obviously much lower than the need for new loans. It is here where the so-called "Thrift Campaign" comes in with the purpose of creating additional resources for bond purchases in the Deposit Bureau as well as in the banks in general.

The Japanese Government insists that the people in Japan in 1938-39 save billions of Yen more than they formerly saved in normal years, and the idea is, of course, to invest these additional savings in new government bonds. The people are to be made not only to save, but to invest their savings, directly or indirectly, in war finance. The Japanese Finance Ministry will not leave it to the discretion of the people how much they will save additionally for patriotic reasons. Standards for "Thrift Campaign" savings have been officially decreed for members of almost all professions. Upon the background of the alliance between big business and the military in Japan, the small-salaried people, of course, will have to save most. According to the above standards, an unmarries man earning up to Yen 50 monthly must save 10%, and his savings must total 20% if he earns between Yen 50 and Yen 100, and 30% if earning between Yen 100 and Yen 200. Merchants and industrialists on the other hand, will be let off with savings amounting to the equivalent of their business profit taxes.

In practice, these savings standards will obviously be compulsory for the people with a small income, and what is called, in this respect, "saving" will amount to nothing else but a special war contribution with a promise of later repayment. The people on Japan will possibly try to live up once more to the financial expectations of their masters. The great problem remains, however, what will become of general peaceful business activities in Japan if additional billions of yen are withdrawn from current consumption in a country where most of the peace industries even now are not working at half their productive capacity.

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Puppets Revise Customs Tariffs in Shanghai

A revision of the tariff schedule in North and Central China, effective June 1 was announced by the Reformed Government this week. Official notification of the revision was conveyed to Sir Frederick Maze, Inspector-General of Customs by Chen Chin-tao, "Minister of Finance of the new Nanking Government." Simultaneously, a similar notification was served on Commissioner L. H. Lawford by Li Chien-nan, the newly appointed" Superintendent of Customs."

The new rates, a statement issued by the "Government" said, are of a temporary nature and are designed to replace the "unreasonable and unsuitable" charges in force until now. The revision, the statement declared, "is not intended to discriminate between foreign Powers, but is aimed solely at the relief of the people and the economic recovery of the devastated areas, as well as the promotion of trade and industry in general." Simultaneously with the enforcement of the new tariff schedule, the Customs, with the assistance of the Japanese authorities, will reassert its authority north of the Soochow Creek and in Pootung. "The 'Government,' the statement emphasized, "intends to prevent, with the cooperation of friendly Powers the evasion of duties, and to realize to the fullest degree the equitable protection of legitimate trade and the security of customs revenue and the service of obligations."

Emphasizing that the revision is of a temporary character, the statement said the Puppets "will endeavor to bring into being more rational tariff policies as soon as possible." Until such a fundamental revision is effected, the Puppets will refrain from making frequent changes in the tariff which would empede the recovery of commerce and industry, the statement added. While export duties will continue in general to be imposed in accordance with the outgoing tariff, the rates on some export commodities will be reduced or cancelled.

Relief Surtax

The revenue surtax collected until May 31, the statement said, will be replaced by a relief surtax of 5 per cent, the funds to be used for the relief of the distressed areas. Export and import duties will, according to the statement, continue to be collected from goods shipped to and from Manchukuo and the Kwantung Leased Territory.

The statement read in part: "Customs duties comprise a substantial part of the national revenue, and have a close and important relation to commerce and industry. In the light of the present state of industry and economy and of national standard of living in this country, the existing tariff has been deemed in many respects unreasonable and unsuitable, and its revision has naturally been a matter of urgent necessity. In North China, reductions or exemptions of import and export duties upon a limited number of articles were effected by the Provisional Government on January 22 as a measure of exigency. The necessity of enacting a still more reasonable tariff has, however, lately become apparent in that part of the country, while conformity between the tariffs of North China and Central China was held to be essential.

From June 1

"The Government, after consuitation with the Provisional Government, has decided to jointly enforce a new tariff as from June 1. The salient points of the revision are as follows:

"1. Import duties shall be imposed in accordance with the import tariff newly legislated and promulgated.

"The new tariff adopts the metric system, and is based in general upon the tariff enacted on Dec. 29, 19th year of the Republic of China.

"Since it was deemed just and proper, however, the decision was reached also to apply in Central China the same rate of reduction or exemption of duties upon some articles particularly needed for the relief and rehabilitation as reduced or exempted in North China by the notification of the Provisional Government issued on January 20.

"2. Export duties shall be imposed in accordance with the existing tariff. However, some of the important export.

"4. The Revenue Surtax hitherto collected shall be abolished, and a Relief Surtax shall be imposed in its stead, in order to afford the relief in the distressed areas.

"Other existing regulations and rules concerning the Maritime Customs shall remain effective unless otherwise ordered, and the Maritime Customs shall function in conformity with such regulations and rules. As stated above, the revision is not intended to discriminate between foreign powers, but is aimed solely at the relief of the people and the economic recovery of the devastated areas, as well as the promotion of trade and industry in general.

"Accordingly, the new import duties are based upon the tariff enacted in 19th year of the Republic of China which was comparatively just and equitable, applying, at the same time, the rate revised in North China upon a small number of articles particularly needed for relief and rehabilitation. The above-mentioned measures regarding export and inter-port duties have been decided for the time being, and studies in the matter will further be continued in the future.

Temporary Revision

"The revision is therefore a temporary one, and the Government will endeavor to bring into being more rational tariff policies as soon as possible. Until a fundamental revision is effected, the Government desires to refrain from frequent revisions of the tariff, which would impede the recovery of commerce and industry. The junction of the Shanghai Maritime Customs in the Settlement north of the Soochow Creek and in Pootung has been almost suspended since the outbreak of hostilities. The Government, with the assistance of the Japanese Authorities, will restore the function of the Maritime Customs in the above areas with the enforcement of this revision, and will secure the customs revenue. The Government intends to prevent, with the cooperation of friendly Powers, the evasion of duties, and to realize to the fullest degree the equitable protection of legitimate trade and the security of customs revenue and the service of obligations."

"Open Door" Closing

The "Open Door" for western trade in Central and North China was to close more tightly on June 1 when the Provisional Regiment of Peiping and the Nanking Reformed Regime announce a revised joint tariff schedule, it was learned in Peiping. Reliable sources revealed the revised schedule would remove many features now objectionable to Japan and give Japan access to important raw materials of North China without payment of export duty.

Nanchang Raided 25 Times

During the period of August 15 last year to April 15 of the present year Nanchang, the Provincial Capital of Kiangsi Province, was raided 25 times by Japanese planes and about 620 bombs were dropped. While 99 civilians were killed instantly on the spot, the number of wounded totalled 315 including 236 males and 79 famales, according to investigations made by the Provincial Health Bureau. All of them have completely recovered from the wounds sustained after receiving treatment from various public and private hospitals.

RECALL OF GERMAN ADVISERS PRESENTS PROBLEM

(*Continued from page 30*)

even with Chinese except on official business. Oddly enough, the building used by General von Falkenhausen as headquarters is the old Japanese Concession. Maybe the Germans calculate that Japanese air raiders will not be tempted to distroy what is technically their own property.

Medical Mission Returns

A German military medical mission, which includes on its staff, experts in chemical and poison gas and germicidical warfare, has returned to Japan from a detailed inspection of the Japanese fronts from Shanghai to the Manchurian border. The German Medical Mission, which arrived in Japan several weeks ago and recently was in Shanghai, is headed by the well known Surgen-General Hans Kiefer. They members will shortly issue a report on medical and other conditions affecting the Japanese Army in North and Central China.

Do You Feel As Old As You Are?

Are you able honestly to say that you do not feel any thing like your age? If so, there probably is not much wrong with you. But there is nothing quite so disturbing as the realisation that you are growing old before your time, when you feel that you are no longer what you were.

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